

Pricing, marketing problems frustrate Congress

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BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

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JULY 11, 1959

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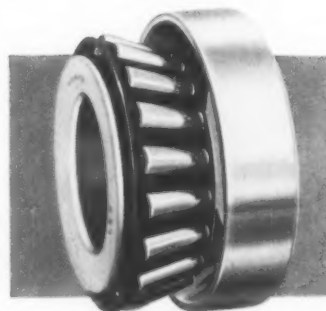
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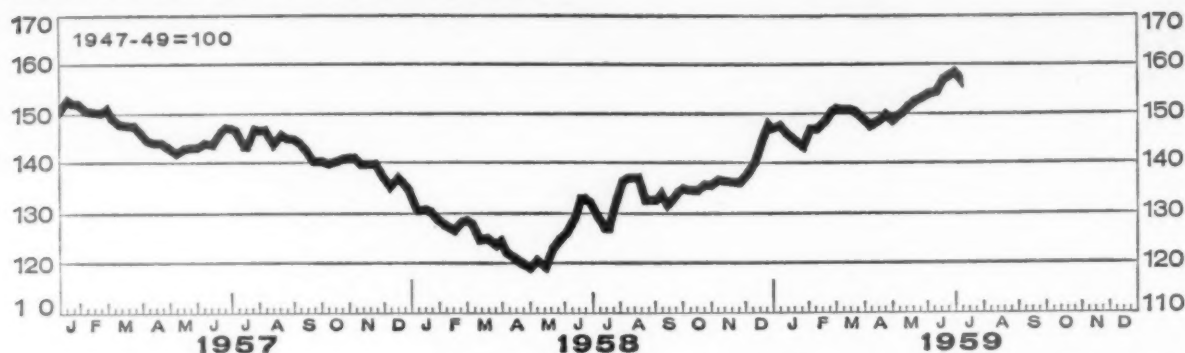
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FIGURES of the WEEK



BUSINESS WEEK INDEX (chart)	1953-55 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
	133.3	130.1	155.0	†159.3	*-57.6

PRODUCTION

Steel ingot (thous. of tons).....	2,032	1,442	2,604	†2,215	2,357
Automobiles and trucks.....	132,806	46,206	162,200	†164,608	139,936
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$84,272	\$86,365	\$84,788	\$90,893
Electric power (millions of kilowatt-hours).....	10,819	11,757	13,023	13,749	13,200
Crude oil and condensate (daily av., thous. of bbls.).....	6,536	6,424	7,032	7,025	6,914
Bituminous coal (daily av., thous. of tons).....	1,455	1,624	1,405	†1,556	1,506
Paperboard (tons).....	247,488	193,815	295,007	323,657	275,478

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	70	57	65	66	65
Carloadings: all others (daily av., thous. of cars).....	47	47	49	55	52
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	110	122	143	118
Business failures (Dun & Bradstreet, number).....	198	292	314	256	244

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	412.8	397.6	390.5	385.8	388.0
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	83.4	92.5	91.8	92.3
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	89.9	81.9	81.1	80.1
Print cloth (spot and nearby, yd.).....	19.8¢	17.4¢	19.3¢	19.5¢	19.5¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	181.5	186.7	186.7	186.7
Scrap steel composite (Iron Age, ton).....	\$36.10	\$36.50	\$37.50	\$38.50	\$39.17
Copper (electrolytic, delivered price, E & M, lb.).....	32.39¢	25.88¢	31.55¢	31.40¢	31.41¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$1.75	\$1.99	\$1.90	\$1.90
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	34.89¢	34.60¢	34.35¢	34.19¢
Wool tops (Boston, lb.).....	\$1.96	\$1.65	\$1.81	\$1.84	\$1.86

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	45.44	57.09	58.30	59.74
Medium grade corporate bond yield (Baa issues, Moody's).....	3.59%	4.51%	5.03%	5.05%	5.05%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½%	1½%	3¼%	3¼%	3¼%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	57,848	54,560	56,054	56,540	56,391
Total loans and investments, reporting member banks.....	84,642	95,262	94,452	94,538	94,672
Commercial and agricultural loans, reporting member banks.....	24,180	30,371	31,613	†32,617	32,628
U. S. gov't guaranteed obligations held, reporting member banks.....	33,275	32,575	28,538	27,484	27,312
Total federal reserve credit outstanding.....	26,424	26,380	27,650	28,147	28,042

MONTHLY FIGURES OF THE WEEK

	1953-55 Average	Year Ago	Month Ago	Latest Month
Wholesalers' inventories (seasonally adjusted, in billions).....May.....	\$10.6	\$12.1	\$12.1	\$12.2
Retailers' inventories (seasonally adjusted, in billions).....May.....	\$21.4	\$23.9	\$24.5	\$24.5
Retail Sales (seasonally adjusted, in billions).....May.....	\$14.5	\$16.6	\$18.3	\$18.3

* Preliminary, week ended July 4, 1959.

† Revised.

‡ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Mike Shea; 26, 27, 28—Jack Fuller; 29—Chicago Assn. of Commerce & Industry; 31—W. W.; 45—General Motors; 46, 47—Ron Appelbe; 48—McGraw-Hill World News; 68—U.P.I.; 76, 77, 80, 82, 85, 86, 88—Mike Shea; 90—(top) Bettman Archive, (cen.) U.P.I., (bot.) Herb Kratovil; 91—Herb Kratovil; 100—W. W.; 111—(top) Herb Kratovil, (bot.) Umbaugh Agricultural Chemical Co.; 130—Herb Kratovil.

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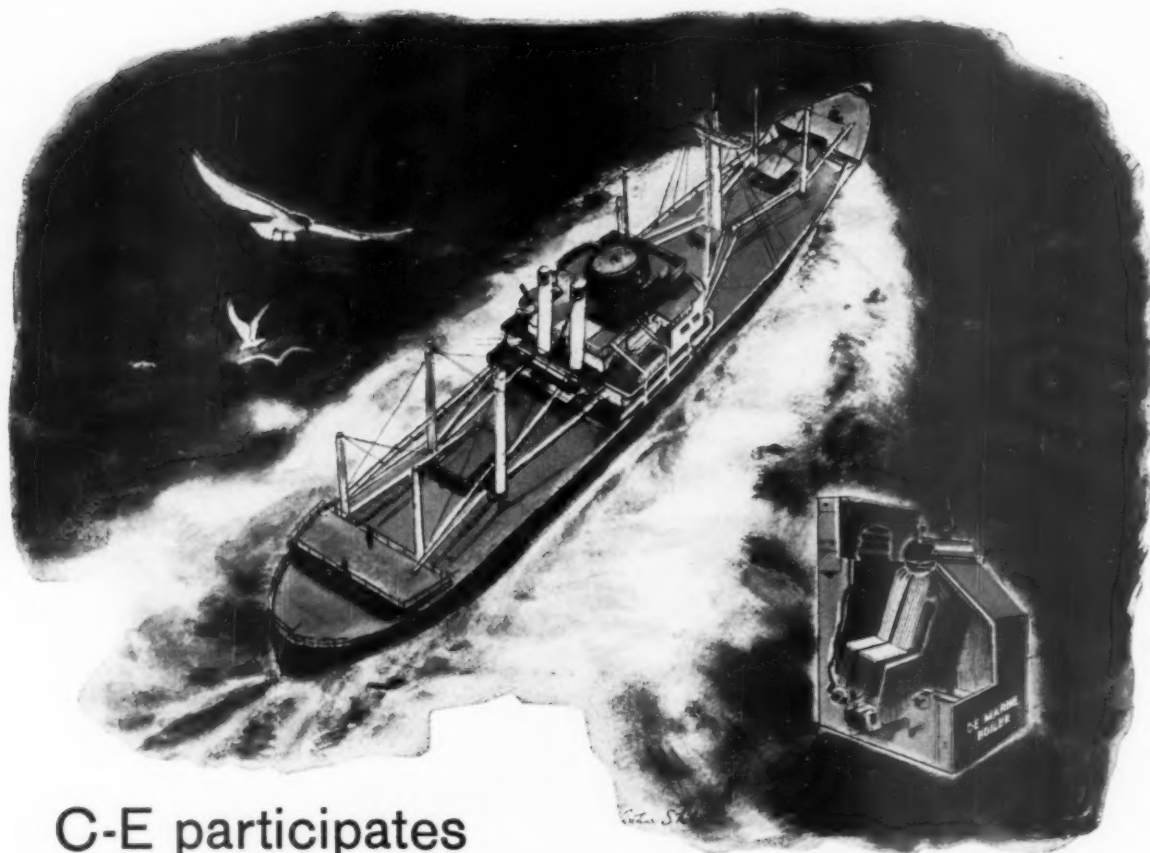
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MEMBER F.O.I.C.

"CREATIVE ENGINEERING" HELPS REBUILD AMERICA'S MERCHANT FLEET



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to stem the tide
of obsolescence

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Take Moore-McCormack Lines, for example. This company's "new ships" program—including two new luxury cruise ships and many cargo vessels—provides for an expenditure of more than \$430,000,000 over the next several years. Currently, seven cargo vessels, characterized as the "most modern cargo ships ever built," are under construction.

Reflecting the company's goal of acquiring the most efficient equipment for its fleet, Mooremack has ordered 14 C-E Boilers to power these ships, one of which is pictured above. In so doing, they have assured themselves of the economies inherent in modern marine boiler designs developed by C-E—designs proven on some of the finest cargo, passenger and naval vessels afloat.

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BUSINESS WEEK • July 11, 1959

READERS REPORT

Export Insurance

Dear Sir:

I am in complete agreement with the suggestion contained in your editorial [BW—May 16 '59, p192] that the Administration consider the idea of export credit insurance similar to that of some West European countries.

As president of a company which is engaged in the export business, I know that we could increase the amount of our business if we had some kind of export insurance. As it is, we cannot take any risks and thus deal with only the top grade European companies. If there were insurance, we could sell to good companies where there might be some element of risk, however negligible, and thus increase the volume of U. S. exports. . . .

ADOLPH S. ZIEGLER

PRESIDENT

AMERICAN VAPOR INC.

NEW YORK, N. Y.

A Sharp Trade

Dear Sir:

On the Brazil deal with Russia, cocoa for oil (BW—Apr. 11 '59, p. 77):

According to your figures, the U.S.S.R. is willing to swap a ton of "oil" for a "bag" of cocoa (or coffee). I suppose a "bag" is the sort of bag that a stevedore can hoist and carry.

Either the Russians are mighty rich in oil—or mighty anxious for cocoa. . . .

ROBIN BURNET

SEATTLE, WASH.

• A bag of cocoa averages 140 lb.; coffee, 132½ lb. Crude oil approximates 7.3 barrels per ton, depending upon the density. According to our reckoning, the Soviets engineered a sharp trade in this deal—less than three-quarters of a million dollars in oil swapped for almost \$3-million in coffee and cocoa.

Regional Editions

Dear Sir:

I have long admired your publication, BUSINESS WEEK, for its accurate and thorough reporting. However, I was somewhat dismayed after reading the article Magazines Try a Regional Pitch (BW—Jun. 6 '59, p126) to find no mention of Esquire Magazine's regional editions since we consider

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Our Eastern Edition, which was our first regional edition, was published in June, 1954. This was followed by our Western Edition in April, 1956. An International Edition appeared in April, 1958, and a Midwestern Edition has been announced for September, 1959.

The New Yorker, which is probably the daddy of all regional editions, first published its Metropolitan Edition confined to the New York area in 1929 and Esquire Magazine in 1939 also published a Metropolitan Edition which, due to the newsprint shortage during the war, was abandoned. . . .

NORMAN L. ARONSON
REGIONAL ADVERTISING MANAGER
ESQUIRE
NEW YORK, N. Y.

Wrong Company

Dear Sir:

In your recent article relative to SBICs [BW—Jun.13'59,p29] you referred to our company the First Midwest Small Business Investment Co. as, "Probably the first in the nation to open for business." In this you were right; however, you mentioned incorrectly that I also served as president of a local bank . . . My other principal activity consists of being president of Phil G. Ruvelson, Inc. which is engaged in the manufacture of diamond rings. . . .

ALAN K. RUVELSON
PRESIDENT
FIRST MIDWEST SMALL BUSINESS
INVESTMENT CO.
MINNEAPOLIS, MINN.

Not Related

Dear Sir:

Further to the news item relating to this company (BW—Jun.13,'59,p81), I should like to point out that I did not "head the super secret flying saucer experiment" at AVRO.

Since the appearance of this item A. V. Roe of Canada has received a number of inquiries from your readers who have presumably gained the impression from your item that there is some connection between the two companies. There is no connection what-so-ever; indeed, in some fields we are in direct competition. . . .

P. R. PAYNE
PRESIDENT
AVIAN INDUSTRIES LTD.
GEORGETOWN, ONTARIO, CANADA



WHAT IS BORDEN CHEMICAL'S RECIPE FOR KITCHEN FLOORS?

Resilith! It's the heavy-duty floor resurfacer that works where others won't. That's why it was installed in a problem area in the big and busy kitchen of the Sherman Hotel in Chicago.

Resilith's special features? It trowels on—is ready for use in 12 hours. It resists alkalis, acids, solvents, abrasion and impact. And talk about wear! All that and it's a pleasure to walk on and work on day in and day out.

It's *the* recipe for kitchens. And for dairies, meat packers, breweries, chemical plants, bakeries and such as well.

If you are in the flooring business, or have a flooring problem, write Borden Chemical. Borden is a leader in resin chemistry—has the widest range of thermoplastic and thermosetting resins and polymers in the business. The Borden Chemical Company, Department BW-79, 350 Madison Avenue, New York 17, New York.

IF IT'S A **Borden**  **Chemical** IT'S GOT TO BE GOOD!



NO MATTER HOW YOU GET THE MESSAGE...



If you have a radio, telephone or television set, chances are that a component part of one or all of these units was manufactured by Continental-Diamond Fibre Corporation, a subsidiary of The Budd Company.

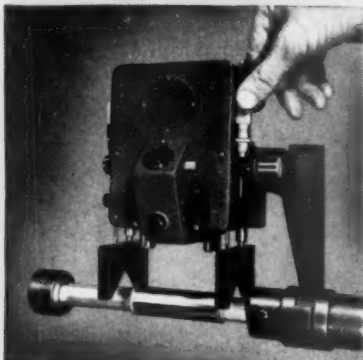
Continental-Diamond Fibre designs, manufactures and markets a wide range of non-metallic products for industries of all types to be used in electrical and mechanical applications.

The materials and components include laminated plastics, vulcanized fibre, mica products, molded plastics, printed circuit laminates and flexible insulations.

This, however, is only one of Budd's many contributions to our expanding American economy. On the opposite page are shown examples of Budd's industrial diversification and engineering progress.

Budd

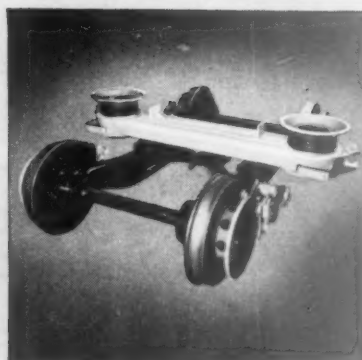
Philadelphia • Detroit • Gary • Inglewood



TATNALL MEASURING SYSTEMS COMPANY, a subsidiary of The Budd Company, is a major producer of testing equipment that simplifies the study of stresses and strains occurring in aircraft, ships, automobiles, and other complex machinery. Above, the PhotoStress torque meter measures the torque occurring in a revolving steel shaft ... without contacting the shaft.



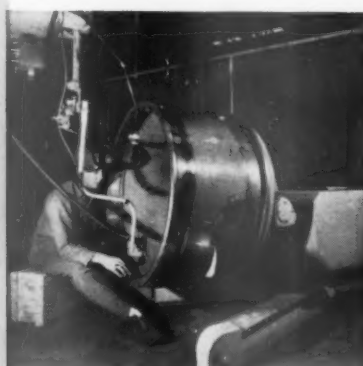
THE INTERNATIONAL DIVISION of The Budd Company is at work in countries all over the world ... spreading the skills and knowledge gained through years of working with metal. Even in the jungles of Malaya, you'll see examples of this. This all-stainless railway car at the Kuala Lumpur Station was built by a Budd Licensee, one of many foreign railway and automobile manufacturers licensed by Budd.



THE RAILWAY DIVISION of The Budd Company is responsible for a great many of the inventions and developments which have made our country's passenger trains the safest, fastest and most comfortable in the world. This truck, half the weight of a regular truck, combines smooth springing with fast-acting Budd disc brakes for the Budd Pioneer III stainless steel railway passenger car.



THE AUTOMOTIVE DIVISION of The Budd Company is a major contributor to the make-up of almost any modern automobile you can name ... Your own car probably has steel parts, components, chassis frame, wheels, hubs, or brake drums—made by Budd. Shown here is a precise phase in the making of an automobile fender die, in Budd's large modern machine shop.



THE DEFENSE DIVISION of The Budd Company turns the vast production skills and engineering knowledge gained through decades of working with metals to advantage in the defense of our country. Here, the stainless steel afterburner of a jet aircraft is being welded with precisely controlled, Budd-developed welding equipment ... under "clinical" conditions.



THE NUCLEAR SYSTEMS DIVISION of the Budd Company markets radioactive materials and equipment for their peaceful use in industry, research and medicine. Here, the nose wheel gear of a prop-jet airliner is safety-checked with a Nuclear Systems gamma radiography machine containing a powerful radioisotope.



PLASTICS PLAY LEAD IN NEW SALES SEASON

Rapid-fire developments in versatile thermoplastic materials herald sure-fire successes on the sales front. As the new products make their public debut, plastics are increasingly conspicuous by their presence. These chemically engineered materials are lightweight, yet strong and durable. They save pennies on the production line, look like a million in the show window.

Take Styron Verelite, newest in the fast growing Dow line-up of polystyrene materials. Designed specially for interior lighting applications such as grids and diffusers for fluorescent fixtures, it's light-stabilized, offering superior resistance to yellowing. It is now available in several granulations for both extrusion and molding.

LIGHTWEIGHT STYRON MAKES VACUUM CLEANER SALES HUM

Dow thermoplastic replaces other materials, delivers production economy, attractive appearance.

The manufacturer of the compact vacuum cleaner shown below put plastics to full use in redesigning his product. The result is a lightweight, extremely portable and attractive unit that stimulates sales and gives the pro-

duction man fewer headaches.

Styron® 475, one of Dow's high impact thermoplastics, was used for the housing and other rigid parts. The flexible parts are vinyl. The cleaner is available in two models, one for the home (pictured below) and one for industrial use. Lightweight Styron 475 makes the industrial version ideal for cleaning radio tubes, electronic equipment and other products with hard-to-get-at corners and crevices.

In addition to a smartly styled appearance and a wide selection of colors, Styron 475 provides a warm touch pleasing to housewives. Compared to materials previously used, it trims costs by eliminating several fabrication and assembly operations. Like all Dow plastics, it gives the designer broad latitude and its quality is consistent and uniform. This contributes to greater production efficiency and fewer rejects.



This compact, time and effort saving portable vacuum cleaner lightens the work of the housewife and maintenance man. Its components are molded of tough versatile Styron 475.

PLASTICS PERFORM

when pressure's on

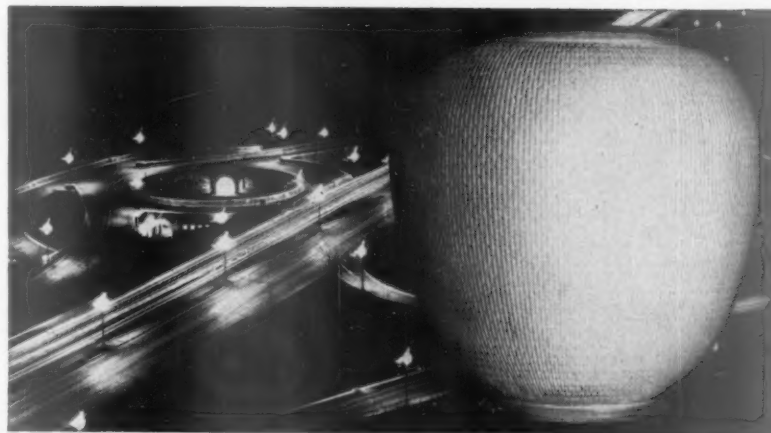
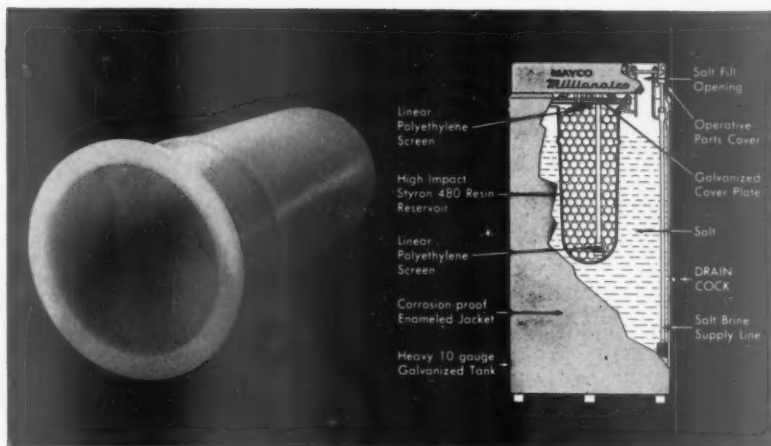
This water softener creates a vacuum in its recharging cycle, producing up to 120 lbs. pressure on every square inch on the surface of the tank. That's one of the many reasons Styron 480, Dow's extra high impact thermoplastic, with its great strength was chosen for the job. As Styron is rust-proof, there are no corrosion problems. The excellent moldability of Styron helped in making this large, thick-walled tank. This application is typical of many developed for manufacturers by a plastics molder offering integrated design and production services.

ZERLON* 150:

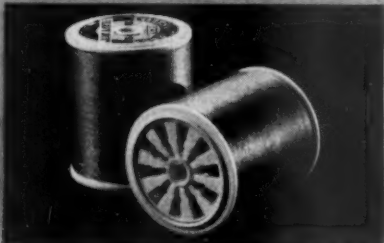
no break for boys

There'll be plenty of disappointment among the younger set when they discover their sling shots and air rifles won't shatter this street light globe. It's made of Zerlon 150, a new Dow plastic that combines outstanding transparency and strength. When struck sharply, Zerlon 150 "stars" rather than cracking or shattering. This property will sharply reduce maintenance and replacement costs for municipal governments. What's more, Zerlon 150 actually provides better transmission of light than the material normally used in this application. The globe is now in test service in a major U. S. city.

*TRADEMARK



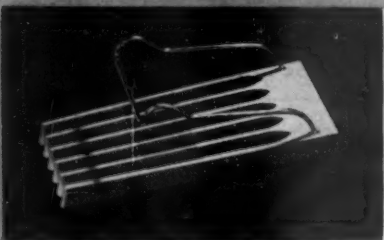
FOUR DISTINCTIVE PRODUCTS MADE OF DOW THERMOPLASTICS



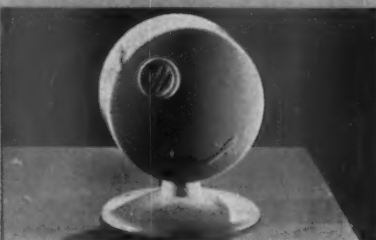
STYRON 475. Even the time-honored thread spool can be improved by plastics! No wood grain imperfections to worry about in smooth-surfaced, colorful Styron 475.



POLYETHYLENE. The extremely intricate mesh design of this lace work bag thoroughly demonstrates the excellent flow characteristics of Dow Polyethylene 990M.



TYRIL®. Tyril, a copolymer of styrene and acrylonitrile, provides rigidity, craze resistance and freedom from cracking in this unique pants hanger.



STYRON 475. Fine surface gloss, impact resistance, color selection and excellent electrical properties make Styron 475 ideal for this indoor TV antenna housing.

FOR MORE INFORMATION . . .

about the versatile Dow plastics and the products discussed on these two pages, write to us today. **THE DOW CHEMICAL COMPANY, Midland, Michigan, Plastics Sales Department 1512AF7-11.**

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Wichita

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From saddle ponies to jets, this Kansas metropolis has come a long way. Less than a century ago, Indian grass lodges dotted the ground where now an ever-growing skyline of offices, factories, grain elevators and oil derricks rises high above the rolling plains—impressive landmarks of Wichita's lively expansion as an important commercial, industrial and agricultural center.

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(Based on company file #848-8460)

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Climate by Chrysler

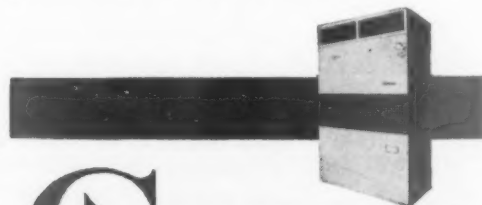
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BUSINESS OUTLOOK

BUSINESS WEEK

JULY 11, 1959



The Federal Reserve is showing **new determination not to let credit feed any new boom into a bust.** (If you're making business plans—or trying to hedge against inflation in the stock market—pay heed.)

The banking authorities still talk of meeting legitimate needs; they want industrial growth to go on. But they say flatly **there can't be enough money for everyone; they're still fighting inflation.**

This is a tightrope act. It's going to take the nicest balance.

Borrowing from the banks shot up in the second quarter, especially in May and June. That touched off all this new fuss.

Real estate borrowing continued very active. Consumer loans broke above even their 1955 rate. Business loans went into a steep climb.

It added up to record demand, particularly for the time of year.

Here's a warning on consumer credit from the Federal Reserve Bank of New York's July review: "Viewed alongside the growth in all other credit . . . the increases may be close to the peak rates that the economy can support if over-all growth is to continue. . . ."

Sound like double talk? Read it again, for it isn't rhetorical.

The bank is saying: "We'll act to **dry up the sources of installment credit** if that sort of borrowing threatens to sop up money that ought to be going to promote over-all growth."

High interest alone won't curb installment sales of cars and other consumer goods (and Congress long ago took away from the Federal Reserve its direct powers over installment terms).

Thus **any action would have to be a sort of moral suasion.** The authorities would single out banks that seemed to be pumping up consumer credit, then threaten to limit their rediscounting at the Fed.

Here's where the Federal Reserve's tightrope act gets precarious:

If most industries still have **excess capacity**, and if consumers are to be **cut back** on time purchases, then what is to build up the pressure for the business growth that everyone feels is so necessary?

Already some doubts are being expressed about consumer demand being strong enough to keep recovery rolling (BW—Jun.27'59,p23).

Coming up to mid-year, much of the **industrial demand for bank credit** grew out of inventory accumulation for strike insurance.

Moreover, in the first half of July, steel users are getting delivery on metal they wouldn't have received had the strike come on schedule. In other words, they're getting a steel windfall.

It all must be paid for (including what they hadn't expected to get) and much of the money must come from the banks.

Loans to carry inventory are a one-shot thing (as the banking authorities undoubtedly appreciate).

- If there is a strike, users will turn steel stocks into cash.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
JULY 11, 1959

• If there isn't, some will start working down inventories and paying back the banks. Others may want to keep stocks at present levels, but they won't be buying and borrowing the way they have been.

Either way, inventory loans are going to flatten out or decline.

Take inventory borrowing out of the money markets, let interest rates pinch back the demand for mortgage money, and what do you get?

The answer is simple: The rate of recovery will be slower, and demand for credit will go up no more than it generally does between July 4 and Christmas—if, indeed, it goes up as much.

In any event, many observers hope the Fed will wait and watch demand for credit in September and October before it acts decisively.

—●—

Figures on consumer credit through May, published only last week, show that the total broke through the previous top set Dec. 31.

The year-to-year gain, then, is about \$4-billion or nearly 10%.

Installment loans, the largest and most volatile portion of the consumer credit total, have been rising sharply this year (in contrast to last year, when consumers were paying off loans, on balance).

The biggest factor here, of course, is autos.

Last year, between Apr. 1 and June 1, auto buyers were paying debts down by \$180-million; this year saw a rise of more than \$600-million.

This year's rise in installment debt on autos—large and rapid as it has been—may not be quite so alarming as some would make it.

First of all, there's the obvious catch-up factor; after a year like 1958, anything but a sharp rise in auto sales would have been dire.

Then, too, auto credit had been reduced by \$1.4-billion in the 14 months ended last December. They're still \$500-million under the 1957 high—though, of course, they won't be for long.

—●—


Auto sales in June were surprisingly good, even to industry leaders who have been visibly brightening of late.

But don't look for registrations of U.S.-made cars to come up to the dealers' sales claims of 580,000 units last month. June was a bonus month, and there's always some fudging for the bonuses.

In fact, if dealers actually had registered 580,000 last month and foreign models again hit 50,000-odd, the total for the month would have gone to 630,000—biggest month ever except for the best ones in 1955.

Now auto dealers have only to complete the biggest inventory cleanup in history. Some 900,000 are on hand, and more than 600,000 additional will be built before the model changeovers.

Shutdowns will begin late this month, by the way, with most new model introductions scheduled for early October. Meanwhile, dealers will sweep their floors clean if they can retail 500,000 a month.



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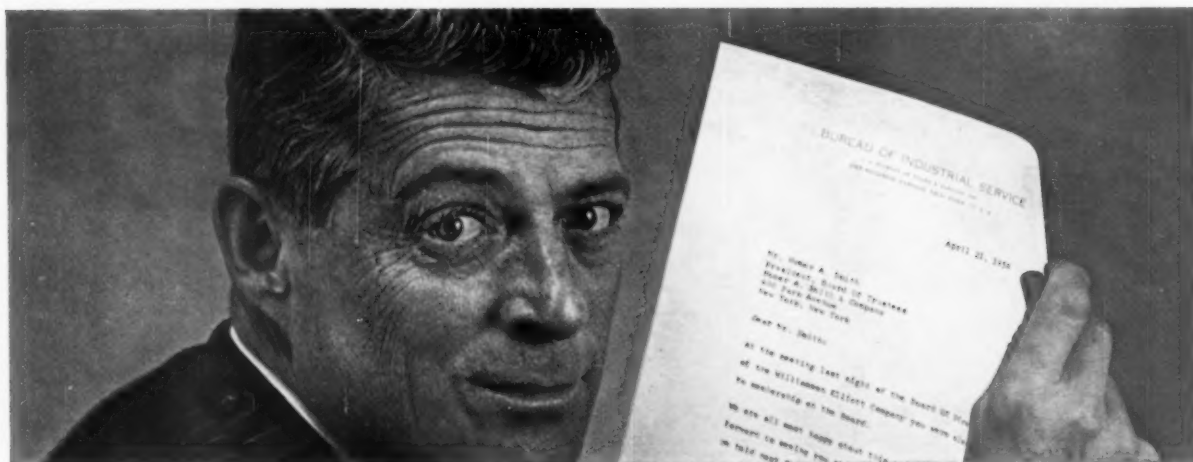
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Investors Raise Their Bets Again

Fresh money pouring in from institutions and individuals starts market on new climb; despite the qualms of some analysts, they're betting on capital gains.

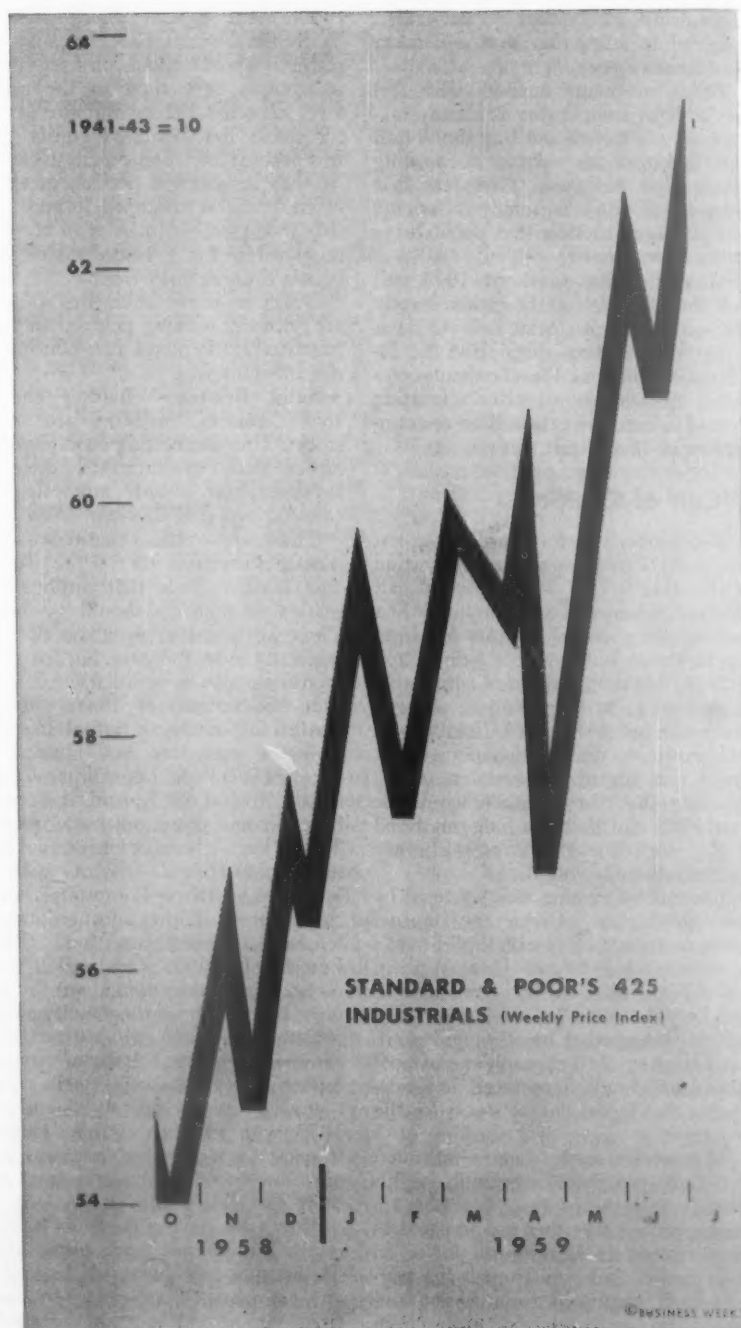
The great bull market of the 1950s entered a new phase of expansion this week. Investors—institutional and individual—poured fresh funds into the stock market, sending the popular Dow-Jones industrial index and the more comprehensive Standard & Poor's average (chart, right) into new high ground.

Wall Street analysts view the latest buying wave as the start of a traditional summer rally. They think that the Dow-Jones average, which topped 660 early this week, will go to 700 or even 750 before current demand for stocks is exhausted. A few optimists think that 800 is a possibility. That would be almost double the low reached during the 1957 decline; on the Standard & Poor's index shown in the chart this would mean a rise to 75 or 80.

• **Upgraded Expectations**—There are several reasons for the strength of the stock market. The most important, of course, is the healthy state of business. Investors are convinced that the economy, having snapped back from its recession lows to new peaks, will continue to prosper. Most companies enjoyed banner business in the second quarter, and expectations of increased earnings—and dividends—are widespread.

Indeed, some analysts think investors are now convinced that a new boom is building. They point out that the rise in stock prices over the past year was in anticipation of the end of the recession and the return of prosperity. Now they say that investors are in the process of upgrading their expectations. One analyst explains that "the market's latest rise suggests that investors are looking much further ahead than they did only a few months back."

But glowing expectations about the nation's economic prospects cannot, by themselves, explain the almost un-



precedented demand for stocks. The fact is that investors are not only optimistic about business; they are also convinced that common stocks are the best medium for participating in a new boom.

• **Converts' Zeal**—The performance of the stock market over the past 10 years is undoubtedly impressive. The ability of the market to snap back from its declines, and the increasing willingness of corporate management to take heed of stockholders, particularly in the matter of dividends, has won more and more converts to equity investments. In fact, there is a real danger that the demand for stocks will go to excess, and lead to a reaction that will harm the economy itself.

There are many analysts who feel that a flight from reality is already taking place. They do not buy the notion that investors are merely discounting future good business. They fear that the price of stocks is totally unrealistic and invites a reaction that could bring stocks into disfavor.

After the great crash of 1929 and well into the 1940s, the public largely shunned common stocks, viewing them as too risky and volatile. But the increased stability of the economy—combined, paradoxically, with increasing fears of inflation—has brought a re-examination of investment outlets.

I. Cult of Equities

The market's performance in the last year reflects the new enhanced position of common stocks. In the second half of 1957, when the economy was first turning down, the Dow-Jones fell from a peak above 520 to under 420, a drop of 20%. But then, instead of continuing to decline when the economy plunged down, the index stabilized. Institutions and investors did not abandon their newly won regard for common stocks; believing that the recession would be short-lived and that the long-run trend of the stock market was upward, they resumed their buying.

The cult of equities was bolstered by the introduction of two new mutual funds sponsored by two of Wall Street's most respected houses—One William Street Fund, initiated by Lehman Bros., and Lazard Freres' Lazard Fund. The cult got yet another boost when American Telephone & Telegraph's giant pool of pension funds announced last September that it was buying stocks for the first time.

This week's market action indicated that there has been no waning in this attitude. On the contrary, investors are demonstrating that they are prepared to buy common stocks at almost any price. They reason that even though the market is high, continued demand—and continued prosperity—should mean even

higher prices on their investments in the future.

• **Parallel**—In some respects, the current faith in equities resembles the 1928-9 period. The economy appears to be in much better shape now than it was then, but many older analysts say that some of the rationalizations about the current market are uncomfortably close to the "new era" talk then.

For example, the bond-stock yield relationship is considered normal when stocks yield more than bonds. But in 1929, the demand for stocks reduced stock yields almost to the vanishing point while bond yields rose.

The same pattern holds true today. With the Federal Reserve pursuing a restrictive policy, yields on fixed-income obligations have risen to the highest level since the 1920s. But the demand for stocks has depressed equity yields to a postwar low. Some analysts say that we may be seeing a permanent change in the yield relationship; others think that it is possible to have an abnormal relationship for a considerable period before running into trouble.

But a minority holds that investors are once again being deluded in thinking that stock prices can continue to rise indefinitely.

• **Solid Reasons**—Whatever the analyst's qualms, investors are buying stocks. They are betting on capital gains rather than on increased dividends. Investors have already more than discounted expected dividend rises.

Those who consider that today's stock buying is excessive are not the majority. The majority says that although the market is high, it should go higher. These analysts also point out that buying is not indiscriminate, but has shown increasing selectivity.

In the summer of 1958, when the market first resumed its bull-like rush, investors tended to buy blindly. But once the old highs were surpassed in an almost straight line upturn, the averages have become more and more irregular. This is largely because of internal shifts in stock selections.

• **Group Switches**—For example, in the early stages of the advance, the defensive stocks—utilities, food chains—were the favorites. This indicated that investors were uncertain about the economy, but not about the validity of stock investments. Then, when the economy showed increasing signs of strength, buying of cyclical issues—steels, coppers—showed up. In late 1958 and early 1959, with recovery in full swing, the heaviest buying was in electronic issues and low-priced shares—evidence of a more speculative turn.

Now, the buying is strong again in steels, aluminum, and autos. There has been a new burst of demand for any companies that appear to benefit from either technological advance or

heavy consumer demand. As a result, there has been a sharp upward revision of price-earnings ratios, with many issues selling at well over 40 times earnings—far above any past price ratio.

At the same time, many stocks are not full participants in the rise. Oil stocks, for example, are laggard.

Much the same holds true of a number of other groups—cements, chemicals, mining. Thus, the market as a whole has not moved up so strongly as the averages indicate. This is regarded as a favorable sign by most analysts, who think that it shows sophistication on the part of investors. But a minority feels that the rocket-line performance of some favored issues has put them out of line with the rest of the market. They do not think that other groups will advance up to them; rather, they are looking for them to come down to the rest.

II. Next Moves

It is difficult to see what can stop a further rise, at least in the short term. The Federal Reserve's restrictions on margin buying have failed to make an impression as yet. The steel negotiations are largely being ignored. And the international situation is not considered a cause for alarm. In fact, the continued flow of gold out of the U.S. is helping to bolster inflationary fears.

According to one broker, "My clients are in a mood to buy. All they want to know is what is moving the fastest. They don't see any trouble spots ahead. They think they see a pot of gold at the end of the rainbow."

This kind of attitude smacks of 1929. But now, most stocks are being bought with cash, not on thin margins. Moreover, there has been a definite cooling off in demand for low price issues.

• **Dangers**—There is, however, a danger in the concentration in relatively few issues. Many investors plan to hold on to their stock, either for tax reasons or because they are convinced that prices must move higher over the long term. This being the case, any bad news or shift in investor sentiment could induce a selling wave. With the over-all market so thin, the dumping of a comparatively small number of shares could bring a sharp decline.

But up until now, any time price concessions have been made, buyers have come into the market. There have been a number of small reactions over the last 12 months. Undoubtedly there will be more. So far none has gone over 4%. But even those who are predicting a rise to 750 or 800 on the Dow think that a reaction of up to 10% is a possibility this year. As one veteran investment manager put it, "A reaction would be healthy. It would help show the public that the market can really go down as well as up."

Farm Aid Still Up in the Air

Congress is still stalemated on the problem of overproduction of crops; but the elections looming in 1960 may force a showdown next session.

If the old maxims of agricultural economics were working, most farmers and even farm-state politicians would be reasonably happy about the next few years.

The economy is booming again, demand for livestock products is the greatest ever, population is increasing 3-million a year, crop prospects are good, new cost-reducing techniques are being applied on farms, and the farm population is declining—which means there are fewer people to divide the income from crop sales.

But the old maxims are failing.

Net income per farm, which showed a rise last year, is declining again. And this dip is only a forerunner of what is predicted for 1960 and beyond.

• **No Progress**—Congress is going home this summer without having done anything to relieve perennial problems of overproduction in wheat or cotton. Even worse from the viewpoint of Washington policymakers, the fresh outbreak of trouble is coming from another quarter: the politically crucial livestock producers of the Midwest.

Agricultural experts agree that livestock farmers face a sharp income squeeze beginning next year and extending through 1962.

The immediate cause is a relentless building up of feed grain supplies that will end up in the markets in the form of increased livestock production. The result will be lower prices and incomes.

This means that Republicans and Democrats will be battling in earnest next year, with their eyes fixed on the farm vote in the Presidential and Congressional elections.

I. Buying Time

This year, both sides have been satisfied to defend old positions.

Wheat, for example, is currently the most pressing surplus problem. But the best that Democrats in control of Congress could do was to vote a bill that got through both Houses by narrow margins, only to run into a veto.

The bill would have increased price supports from 75% of parity to 90%, while cutting acreage allotments from 55-million to 41.3-million.

In his veto message, Pres. Eisenhower pointed out that acreage controls do not control production in a time of rapidly expanding farm technology, and said that the cure is to stop support-

ing prices at high and rigid levels.

Democratic members of the farm bloc made no effort to override the veto. They clearly lacked the votes. Enough city Democrats, rebelling against the \$700-million-a-year cost of the wheat program, would have joined Republicans to sustain the President.

A tobacco bill aimed at keeping price supports from rising also was killed by a veto.

• **Retaliation**—Democratic leaders of the farm bloc will try to retaliate by killing one of Eisenhower's projects—the soil bank conservation reserve. Eisenhower this week asked for a three-year extension of the program, under which the government takes land out of cultivation by renting it from farmers. In a bill introduced by Senate GOP leader Everett Dirksen, the Administration asked for an increase in soil bank spending from \$375-million a year to \$500-million through 1963.

In all this maneuvering, only one new idea so far has been approved—a limit on the amount of money one farmer can receive as a price support loan. In the process of voting a \$4.7-billion appropriation bill for the Agriculture Dept., Congress clamped on a \$50,000 limit for loans on one crop.

II. What's Ahead

For seven consecutive years, stocks of grain normally fed to livestock—chiefly corn, oats, and sorghums—have been increasing. Crop estimates issued this week by the Agriculture Dept. show there is to be no letup in 1959. By Oct. 1, stocks will be nearly four times what they were in 1952.

• **Hog Output**—Cattle feeding, already at an all-time high, is expanding after remaining almost static from 1952 to 1957. Poultry production is also at record highs. But it's hog prices that will be giving farm-state legislators their greatest worries next year.

Recent studies cited by a Midwestern meatpacker indicate that a 10% rise in hog output can be expected to force prices down 25%. Farmers, in short, receive less total dollars from marketing a large hog crop than they do from a small one.

Hog prices, which averaged \$19 per cwt. last year, are expected by many forecasters to hit around \$15 this year and to sink to \$12 in 1960. That can be political dynamite in the Corn Belt.

The problem confronting Agriculture is overproduction. The question has been what to do about it. Agriculture Secy. Benson, backed by Eisenhower, has been saying that lower price supports on the basic field crops would gradually bring production into balance with demand at a price level profitable to efficient family farms. The most powerful of the national farm organizations—the American Farm Bureau Federation—agrees.

• **Too Much Progress**—But a growing body of economic thought argues that price reductions apparently cause farmers to adopt more and more technological advances, and thus increase production.

More fertilizer, better seed, improved livestock strains, more intensive livestock feeding programs, and more efficient use of machinery have resulted in a 23% increase in farm output since 1905. In the opinion of many agricultural economists, these gains will continue indefinitely, no matter how low farm prices drop.

While farm output was gaining 23%, population was gaining only 15%—which confronts policymakers with the problem of doing something about overproduction, particularly if they want to present the farm states with a politically attractive program in time to influence the 1960 elections.

III. The Split Over Controls

Farm organizations are hopelessly at odds. While the Farm Bureau urges Congress to end controls over production, the Farmers Union and the Grange argue that the government must devise new methods to hold down output.

In the wheat bill vetoed by Eisenhower, Democrats voted for a cut in acreage allotments as the way to control output, but they did it with no enthusiasm.

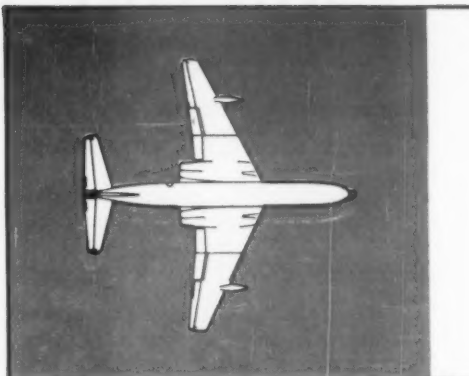
• **New Approach**—James Patton, president of the Farmers Union, is suggesting that the next experiment should be in the direction of marketing agreements that would give farmers more power to control prices. These might be broadly patterned after the marketing agreements that now govern the production and price of milk in the major metropolitan markets. They would apply to livestock products, not to the basic field crops.

Marketing agreements, however, run counter to the Eisenhower-Benson goal of less government interference with agriculture. Even if farm organizations could get together on such a program, it faces the prospect of a bitter partisan clash and perhaps a veto.

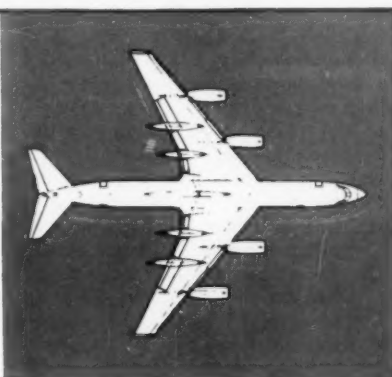
Long-Range Jets



BOEING 707 — Air travelers embarking on medium to long-range jet flights in the next year or two are most likely to board this plane or a later model. Fourteen world airlines have ordered 197 of the 707 and the 720, a close relation. Generally, the 707 is replacing the Douglas DC-7 piston plane, so travelers will find it crossing the Atlantic and crisscrossing the U.S. One complaint: tight tourist quarters caused by six abreast seats.

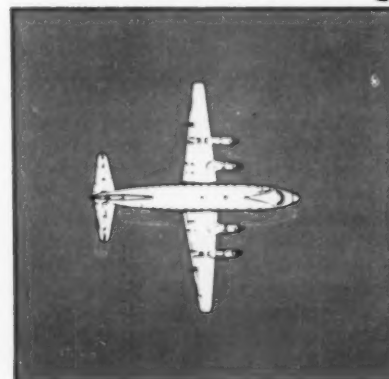


CONVAIR 600 — Not due to fly until 1961, the transcontinental 600 is being billed as the fastest transport of all (650 mph). Most noteworthy for air travelers are such refinements as sea level cabin pressure, operation in and out of present airports, four and five abreast seating instead of six. Plane will be powered by the hybrid turbo-fan engine, which utilizes jet and propeller principles, but has no prop.

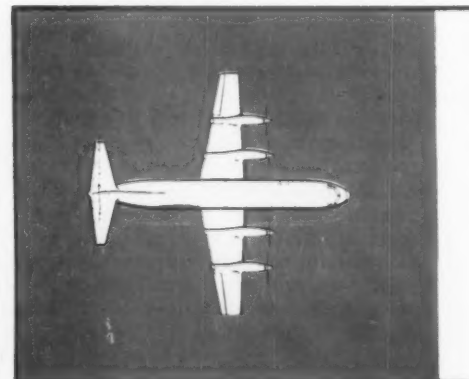


VICKERS VC-10 — Scheduled to begin flying in 1963 on routes of British Overseas Airways Corp., which has ordered 35, the VC-10 will match the size of big U.S. jets, carry three times as many passengers as BOAC's Comet 4. Still in design stage, the plane will be comparable in speed with present big jets. Likely service: globe girdling, with U.S. stops in New York, perhaps in San Francisco, if British get U.S. permission.

Medium, Short-Range Jets, Turboprops



VICKERS VISCOUNT — The old-timer of commercial jet props, a Viscount of one kind or another has been transporting passengers since 1950. Some 400 Viscounts have been sold to 36 airlines around the world. Designed for short to medium hauls, U.S. passengers will find them on the routes of U.S. medium and small trunks, such as Northeast, Continental, and Capital airlines. Short-coming: a cruising speed of only 365 mph.



Jets and Turboprops Start

The changeover to jets and turboprops is in full swing. More than 360 planes will be delivered in 1959 to the world's airlines, a similar number in 1960. By 1963, 87 carriers in 42 countries will be flying more than 1,000 turbine aircraft built by manufacturers here and abroad.

On these two pages and the following one are 14 scale drawings of the jets and turboprop aircraft most U.S. air travelers will find themselves boarding.

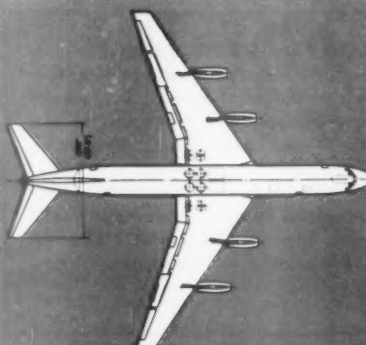
Some, such as the Boeing 707 jet or the Viscount turboprop, are already available in several different versions. Others, such as the Vickers VC-10 jet, won't be flying until 1963. A couple, such as the short-range Douglas DC-9 jet, are still being designed.

Some planes flying now do not appear because most U.S. travelers won't be using them. Some in very early stages of design have been omitted because manufacturers are not releasing

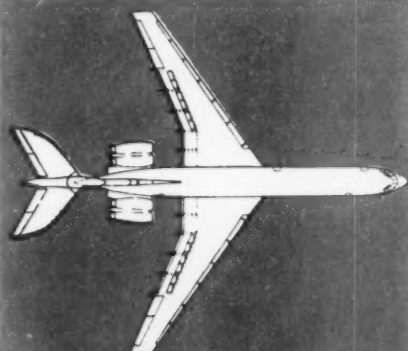
design details. The Bristol Britannia turboprop, for example, flies between Canada and Europe. The Russian Tupolev 114 turboprop will begin service within the Soviet Union.

• **Turbo-Fan Engines**—Developments in turbine-powered aircraft for several years to come will be in refining today's jets and turboprops. One significant development, for example, is the turbo-fan engine (BW—Apr.12'58,p70). It offers three advantages: (1) a boost in take-off

DE HAVILLAND COMET 4 — The globetrotter of the jets, the Comet 4's biggest job is circling the earth for British Overseas Airways Corp. It also flies between New York and Buenos Aires for Argentina Airlines, and is the choice of two other overseas carriers. Smaller than U.S. jets, the Comet carries 52 passengers. Comfort notes for travelers: reclining sleeper seats, four lavatories compared to two on comparable planes in size.



DOUGLAS DC-8 — By the end of 1959 14 DC-8s will be flying, all of them on the routes of United Air Lines, which is introducing the plane in September, and Eastern Air Lines. The DC-8 will compete directly with Boeing 707s, give travelers a choice of planes on transcontinental flights. By 1963 the DC-8 will be a common sight at big city airports. World airlines have ordered 143 for medium to long-range flights.



SUPERSONIC JET — Dream stuff now for travelers, a supersonic jet will be available probably in a decade or more. One builder, Lockheed Aircraft Corp., calls it "imminently feasible," visualizes a 2,200 mph. transport that could leave London at 11 a.m. after breakfast, arrive in New York at 8:20 a.m. for a second breakfast, arrive in Los Angeles at 7:45 a.m. for a third breakfast. Plane would carry 90 passengers, fly at 60,000 to 80,000 ft. Probable service: the world's biggest cities.



LOCKHEED ELECTRA — Chosen by the airlines essentially for medium-range hauls, the Electra's economical turboprop power is casting it in the role of workhorse over a wide variety of U.S. routes until jets economical enough for short and medium-range runs come along. With 160 ordered by airlines, the Electra will become a familiar plane in most U.S. cities. One shortcoming, now being eliminated, is high noise level forward in the cabin.



SUD CARAVELLE — Passed up by U.S. airlines, the Caravelle is a medium-range jet that European and South American carriers have ordered. Scandinavian Airways System and Air France are scheduling flights to 31 cities in 22 countries in Europe, Africa, and Asia. Only one carrier, Brazil's Varig Airlines, will touch down in the U.S., with service from Porto Alegre to New York scheduled to begin in November.

Taking Over the Airlanes

power by about one-third, (2) a cut in fuel consumption of 10% to 15%, and (3) less engine noise around airports.

In this engine, a bypass allows air to flow around the combustion chamber. A ducted fan, driven by the jet exhaust, works on this air just the way a propeller drives through the air around a piston engine. Powered by the turbo-fan engine, jets will be able to land at present airports, instead of requiring runways two miles long or longer. Thus,

they can stop at cities with airport runways designed originally to handle piston planes.

So important a breakthrough is the turbo-fan that American Airlines plans to convert its entire fleet of 50 Boeing 707s to turbo-fans. American also has ordered the Convair 600, a plane being equipped with General Electric's CJ-805-21 turbo-fan engine.

• **Eliminating Ear-Popping**—Another refinement that has come along is sea

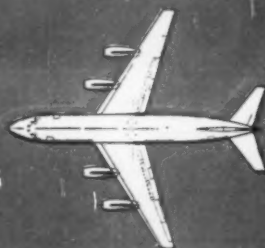
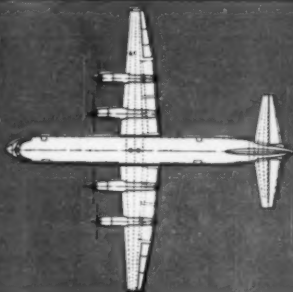
level pressurization up to 22,500 ft., which eliminates much ear-popping. At 40,000 ft. the pressure is equal to 8,000 ft. Also under development are baggage container systems in which the container is "push-buttoned" out of a cargo hold, and bags delivered to passengers in as little as seven minutes. These refinements have been applied to the larger jets and, to an extent, to the smaller sized planes depicted on the next page.

Medium, Short-Range Jets, Turboprops



CONVAIR 880 — A medium-range jet with long-range capabilities, this is the choice of several U.S. trunklines whose long hauls are in the 1,500-mile range. Thus, travelers of Delta Air Lines, National, and Capital will be boarding the 880 when deliveries have been made next year. Like the 600, the 880 is faster than present jet transports.

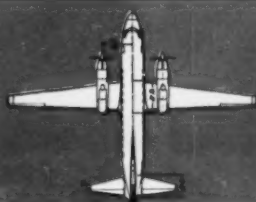
VICKERS VANGUARD — Designed as a money maker for airlines, the 425-mph turboprop Vanguard will carry 139 "thrifty class" passengers, has room in a lower deck for 10 tons of freight. It will appear in North America probably late in 1960 on routes of Trans-Canada Air Lines, which also serves northern sections of the U.S. Air Travelers will board it for short to medium hauls.



DOUGLAS DC-9 — Only two airlines, United and Continental, have admitted interest in this short to medium-range jet, which will be flying commercially by 1963 if Douglas Aircraft gets orders for 75 to 100 planes. Essentially a smaller version of the DC-8, the plane will show up on routes paralleling the Electra turboprop. Advantages for air travelers: jet service on short to medium hauls from airports unable to handle the big jets.

Local Service Turboprops

FAIRCHILD F-27 — More than 60 are being put into service by feeder, or local service carriers such as West Coast Airlines, Piedmont Aviation. A high-wing turboprop designed by the Fokker Co. of the Netherlands and manufactured in the U.S. by Fairchild Engine & Airplane Corp., the F-27 carries 36 to 44 passengers on hops as short as 20 miles, will serve hundreds of small air strips in the U.S. For local service passengers, it means pressurized cabins, air conditioning, many of the comforts of big trunkline planes.



CANADAIR 540 — Actually, this is a Convair 440 equipped with turboprop power plants; it is being bought by local service carriers, such as Allegheny Airlines. Plane was introduced only this year, so few have been sold. Turboprops have reduced drastically the high noise level of piston-powered Convair, so local service passengers will have a quieter ride.

Credit

Doctors in California's San Joaquin Valley, with aid of Bank of America, sponsor credit-card plan for individual coverage.

Doctors of California's San Joaquin Valley, teaming up with two California business giants, have just embarked on a new venture in medical economics—a credit-card health insurance plan that makes the broad coverage of group plans available to any resident of four valley counties under 60 years of age.

The plan, started last week as the Valley Physicians' Plan, is unusual enough in its sponsorship by the doctors themselves through county medical organizations. For the novel credit card feature, the doctors got the help of the state-enveloping Bank of America.

The policies are underwritten by Pacific National Life Assurance Co., a subsidiary of Matson Navigation Co., and are sold by agents and independent brokers in the four counties—Fresno, Kings, Madera, and Merced. But you can pay only through the bank's credit card system—a method that relieves the insurance company of premium billing and collecting costs, and saves it enough in this way to permit greater benefits.

• **Pioneering**—The doctor sponsorship of the new plan, however, is nothing new for the San Joaquin Valley. The area, long renowned for the cornucopian abundance of its agriculture, has been gathering prominence also as a proving ground for bold departures in medical economics.

Long before the American Medical Assn. last month relaxed its frown against closed-panel health care (BW—Jun.20'59,p32), its members in the valley had seized the initiative in bridging the chasm between organized medicine and the public (BW—Jul.30'55,p78).

The impact of this pioneering has already been felt—in more controllable "fringe" costs—around several collective bargaining tables in the West.

By agreeing to a schedule of maximum medical and surgical fees, the valley doctors have made it possible for the insurance industry to offer group indemnity coverage equivalent to the so-called service-type program. Subject to certain exceptions, cooperating insurance companies agree to pay the whole doctor bill, instead of "up to" a fixed amount.

• **Foundation Idea**—What made the pioneering possible was a new corporate creation of the doctors. In 1954, the members of the San Joaquin County Medical Society, stung by national criticism of their profession, incorpo-

Card Health Insurance

rated the San Joaquin Foundation for Medical Care—open only to members of the society—to find a way to put medical care within reach of all 50,000 county families.

The doctors dug into local population and income statistics, polled their own membership on fees, consulted underwriters. As a result, the foundation adopted three schedules of maximum fees, for different income ranges, and announced to the insurance industry the standards it deemed desirable in a health policy, on the basis of local conditions. In effect, the doctors told insurance men: "Give our patients a policy with the fullest possible economic protection, and we'll give you an absolute ceiling on fees."

Today, all but seven of the 220 members of the county society belong to the foundation.

The first foundation-sponsored group policy was written in 1954 by Continental Casualty Co. for the Lathers, Plasterers & Hod Carriers Union of San Joaquin County. Right now, the foundation is sponsor of 33 group insurance programs, underwritten by a variety of companies, and covering 19,000 people.

• **Custom-Built**—In 1955, the foundation custom-built a program—without precedent or parallel, as far as the doctors can learn—for 700 longshoremen at the port of Stockton, members of the militant International Longshoremen's & Warehousemen's Union.

The longshoremen's 10¢-an-hour welfare benefits, administered by a joint ILWU-Pacific Maritime Assn. welfare fund, were buying in some ports a full package of closed-panel health care from the Kaiser Foundation Health Plan. But Kaiser had no hospital in Stockton, and private insurers were unwilling to supply the breadth and certainty of coverage wanted.

So, for Stockton, the San Joaquin Foundation receives the monthly allotments from the fund trustees, pays the doctors up to the agreed scale. It's a closed panel as far as county doctors are concerned; a longshoreman can go elsewhere, but he has to make up the difference if the outside doctor charges more. A committee of doctors screens every medical bill, and all principals have a hand in quarterly audits. If funds show signs of drying up, the doctors shrink their fees, but ask for more when renewal time comes.

So far, the doctors have liked the plan well enough to renew it each year.

• **Spread**—Neighboring medical societies have followed San Joaquin County's lead. A Fresno County foundation, incorporated last year, has given its blessing to a score of group insurance con-

tracts. Only three of its medical society's 320 members have stayed out.

Merced County, with only 50 doctors, incorporated a foundation but assigned its administration to the Fresno men. The Kings and Madera county societies, with even fewer members, joined the Fresno foundation outright.

Now, these four counties have joined in the credit-card insurance plan.

• **New Coverage**—Under the new plan, any resident of the counties under 60, regardless of income, can buy the same coverage that the best group contracts call for. All medical and surgical charges during hospital confinement are paid in full. In or out of the hospital, all diagnostic, laboratory, and X-ray charges are paid up to \$150. Hospital benefits up to \$5,000 are comparable to those in other contracts.

Four-county doctors will accept the fees specified in full payment. If a policyholder goes elsewhere, he will have to make up any difference between the maximum four-county fee and what the outside doctor charges.

Premiums, scaled to age, range from

\$4 a month for a single male under 40 to \$24.90 a month for a person, 60 to 64, with two or more dependents.

To qualify for the policy, a person must have a Bank of America credit card and be able to answer "no" to routine medical history questions. The bank had issued 70,000 Bankamericards in the valley before the insurance plan was conceived (BW—Feb. 21 '59, p. 62), and will issue one to anyone with credit.

The bank bills policyholders monthly for premiums, assumes full responsibility for collections. Pacific National Life pays the bank the same fee that other companies pay for the charge-account service; it pays doctors and hospitals directly.

• **Reception**—It's too early to say how well the credit-card insurance policy will be received. For the doctors, though, it's a minor triumph. Ever since San Joaquin's first dive into prepaid medical care, they have wanted to give their individual patients the same benefits available to groups.

The medical foundation idea has spread. Kern County at the southern tip of the valley, has one. So do Orange and San Diego counties farther south, Sacramento and Sonoma counties to the north.



INTERNATIONAL Trade Fair in Chicago introduces Midwest to new lines from abroad.

Chicago Bids for Role of Import Center

At Chicago's International Trade Fair (picture), businessmen from the world over are filling in order books and lining up new customers. The opening of the fair last week was timed to tie in with the Seaway ceremonies and the attention they drew to Chicago's new status as a "coast" port.

The city is out to sell importers and exporters on the theme of balancing out Midwest trade with the rest of the world. Right now, about 40% of all U.S. exports originate in nine Midwest

states, but only an estimated 15% of U.S. imports are destined for that area.

So far, the show on Navy Pier has attracted more than 20,000 U.S. buyers and an estimated 100,000 businessmen, plus thousands of casual visitors. Retailers and manufacturers are scouting the wares of 3,000 exhibitors.

Facilities to handle potential business are being touted, with emphasis on Chicago's expanded role in marine insurance, dock warehousing, and international banking facilities.

TVA Bids Stir Up Antitrusters

● Electrical equipment manufacturers come under fire over charges they submit identical prices on contracts.

● Philadelphia grand jury and Kefauver subcommittee both dig into policies of major suppliers.

● Justice Dept. says it is going into complaints brought by government agencies other than TVA.

Electrical equipment manufacturers are getting hard looks from Justice Dept. and Congressional investigators over their pricing and bidding practices when dealing with the government.

Local, state, and federal agencies are complaining that competing manufacturers are submitting identical prices in their bids.

• A federal grand jury in Philadelphia has subpoenaed documents on pricing and bidding policies back to 1956 from all the major manufacturers—including General Electric Co. and Westinghouse Electric Corp.

• Sen. Estes Kefauver's Antitrust & Monopoly subcommittee is readying hearings on the same subject.

Both the grand jury investigation and Kefauver's hearing center on bids received by the Tennessee Valley Authority. In May, TVA complained that "for many years" some 50 of its suppliers have been making identical bids on a wide range of items, from Portland cement and lightning arresters through boiler tubing and circuit breakers.

Examples from the TVA statement: identical bids of \$21,900 from GE, Westinghouse, Allis-Chalmers and Federal Pacific Electric Co. for oil circuit-breakers; eight identical bids of \$11,900 for suspension circuit breakers; eight bids quoting 0.6212¢ and 0.9455¢ per lb. on two types of condenser tubing.

Manufacturers explain that the equipment in question can be described as standard shelf items, and the prices are quoted directly from catalogs.

• **Biggest Utility**—Since TVA has the biggest electric generating capacity in the U.S., its purchases of electrical equipment are large. Kefauver's long interest in TVA and his concern with big business pricing brought him into the act.

Justice Dept. officials say they had been looking over complaints from sources other than TVA for some time. The Philadelphia grand jury's authorization, signed by Atty. Gen. William P. Rogers, is broad enough to cover the whole field of pricing and bidding on primary power generating, transmission, and distribution equipment. However, right now the grand jury is limiting its

requests for information on TVA bidding to transmission and distribution equipment. TVA has made no complaints about bids on generators. The grand jury also is not going into other fields, such as cement, which TVA did include on its list.

• **Earlier Reports**—TVA's own announcement of the bid situation noted that it had submitted reports on the subject several years ago to the Justice Dept. Apparently, nothing came of it directly. However, between TVA's new announcement and Kefauver's quick follow-up, the government apparently decided the time was ripe to go before a grand jury.

It has been the declared policy of the Republican antitrusters to go before a grand jury only if convinced there is a good chance to obtain a criminal indictment under the Sherman Act.

Such an indictment usually charges price-fixing and/or collusion to submit identical price quotations or bids.

• **Steel and Cement**—Over the years, the antitrust agencies have tackled both the steel and cement industries for alleged identical bidding on government contracts as well as on charges of price-fixing on normal, everyday transactions. Bids from competing companies that quote identical prices on government purchases frequently have resulted in antitrust troubles.

There have been two very recent examples. One is the Salk vaccine case. A year ago, the Justice Dept. obtained an indictment charging the five leading vaccine producers with conspiring to submit identical bids and to use non-competitive pricing methods on vaccine for sale to federal and state governments. The case has not yet come to trial.

Another example is the Federal Trade Commission price-fixing charge filed last month against 15 rubber tire and tube manufacturers. Among other things, FTC charges the manufacturers conspired to fix prices quoted in sealed bids to government agencies.

• **Right to Sue**—FTC's tire suit raises another question. In 1955, Congress gave the federal government the same right that private companies now have

to sue for damages suffered as a result of antitrust violations. About 20 years ago, the government had tried to collect \$1-million from tire makers for allegedly fixing prices on sales to the government; the courts dismissed the suit, because no law then authorized such a suit.

Now, the Justice Dept. will be ready, armed with the 1955 law, if FTC wins its suit against the tire makers. The same kind of action might finally result from the grand jury proceedings in Philadelphia on electrical equipment.

Usually, something more than just the existence of identical bids is needed for an antitrust suit. Kefauver's investigations of steel industry pricing also turned up recent examples of bids identical to the thousandth of a cent per lb. on Navy contracts.

Thus, despite earlier prosecutions, uniformity in steel prices goes on. This is one problem under scrutiny before a West Coast grand jury now investigating the steel industry. In steel, antitrust lawyers say the question is whether such pricing is the result of illegal conduct—such as the alleged conspiracy in the vaccine case—or the result of "the abuse of monopoly power by U.S. Steel to control prices."

• **Question of Plot**—In electrical equipment, the question appears to be whether there has been any conspiracy. The grand jury subpoenas ask not only for each company's own price and bidding records, but also for copies of any "oral or written communications" exchanged between companies having any bearing on terms of sale of equipment.

The list of equipment covered by the grand jury involves 14 specific types, ranging from all types of transformers, through circuit breakers, insulators, common carrier equipment, and condenser tubing. Documents are supposed to be given to the grand jury by July 15.

On confirming it was among those companies subpoenaed, Westinghouse said it "will cooperate in the inquiry into bids on electrical apparatus submitted to TVA." But the company argued—much as have the steel companies during the Kefauver hearings—that "where free competition exists, prices will often be the same and manufacturers will compete on the basis of quality, service, and product preference." GE also said it was cooperating fully.

There is no indication that Kefauver will call off his hearing because of the grand jury investigation. As of now, the subcommittee still plans to go to Tennessee sometime late in August to hear various TVA officials testify.

There has been no liaison between

Kefauver's staff and the government attorneys conducting the grand jury probe. But this may develop later, as the committee lines up its hearings, to avoid subpoenaing the same witness at the same time before both groups.

• **Doubling Up**—Actually, up to this time Kefauver has not indicated he will call any company representatives, and the grand jury may never call any TVA officials. But there is no legal rule barring the committee from calling the same witnesses that go before the grand jury: Witnesses are legally free to tell outside what they told a grand jury.

In actual practice, however, witnesses

generally refuse to say anything. And a Congressional committee is very careful to conduct a hearing in such a way as not to jeopardize a grand jury proceeding. It usually honors a witness' request not to be called because of involvement in pending grand jury probe.

For example, General Motors declined to appear at Kefauver's recent hearings on a bill to divest automobile companies of their wholly owned finance companies, on the ground this manufacturer-finance company relationship was involved in the pending New York grand jury probe of General Motors.



AT BOHEMIAN GROVE in California, First Deputy Premier Kozlov wisecracks to top executives: "We have more pleasant spots where our workers rest." Elsewhere he was busy...

Drumming for Red Trade

Russia's Frol Kozlov is working hard on his assignment in the U.S. But his goals aren't very clear. He appears in part to be trying to lay the groundwork for negotiations by a team of trade officials that recently arrived here.

Perhaps because it came second, his visit isn't having the same national impact as the cross-country trip of First

Deputy Premier Mikoyan (BW—Jan. 24 '59, p32). But Kozlov is putting on a smoother performance than Mikoyan did. He has avoided the kind of controversial public discussions that Mikoyan got into, and has concentrated on the glad-handing.

• **Exchange**—Kozlov's light-footed diplomacy collapsed once, when Michi-

gan's Gov. Williams in a private talk asked Kozlov when East and Central Europe, "now under Soviet domination," can expect a chance to "choose independence under free and secret elections." Kozlov retorted that these people are independent, and that everything we had heard to the contrary was propaganda.

Williams also asked if the failure to reach agreements on disarmament, surprise attacks, and nuclear tests is not really due to fear of effective inspection systems inside Russia. Instead of answering, Kozlov stated that the two countries are fairly close to working out a program, but that the U.S.S.R. is waiting for the U.S. to answer some proposals.

At the same time, Kozlov and economic officials in his party talked in Detroit of buying chemical plants, and even an entire automobile plant.

• **Spokesmen**—While Kozlov isn't doing any real bargaining, he is aiming his pitch at businessmen. By his own request, he is not mingling with the proletarians very much, but with the "highest circles." The real work will be done by the trade team, which is undertaking talks on "an extensive scale" with a number of companies, both equipment suppliers and raw material purchasers.

In an interview with *BUSINESS WEEK*, Ivan G. Bolshakov, Deputy Minister of Foreign Trade, who is traveling with Kozlov, sounded the familiar themes. The Russians want machinery, especially for chemicals, and a trade pact "to build confidence" between the two countries. They want to sell raw materials like manganese and chromium, and are interested in selling cars—several thousand a year.

• **Horn Blowing**—Kozlov is trying to impress everyone he comes across. On several occasions he managed to mention that he flew from Moscow in 11 hours. On a tour of a vineyard in California, he pointed out that instead of using redwood posts to support the vines, as the Americans do, Russia uses concrete posts, and drives them in by machine. "You should mechanize," is a favorite phrase.

During a tour of the University of California's E. O. Lawrence Radiation Laboratory, Kozlov pointed out that Russia had a 10-billion-volt betatron, compared with Cal's 6.2-billion volts. When Pres. Clark Kerr noted that Cal is building a 100-billion-volt model, Kozlov revealed that Russia will build a 50-billion-volt job.

• **Reaction**—The reaction of business men so far is hard to peg. Apparently many of Kozlov's hosts have tried to feel that Kozlov is really just a nice man like the rest of us. But despite all the handshakes and good fellowship, apparently no one is writing up any orders.

In Business

• • •

Stauffer Moving Into Chemical Big 10 With Stock-Swap Acquisition of Victor

Stauffer Chemical Co. is moving into the top 10 in U.S. chemical industry, with the acquisition of Victor Chemical Works. The combined companies expect 1959 sales of around \$225-million.

Stauffer, a basic supplier that has been making money in more exotic chemical fields (BW-Jul.19'58,p49), will exchange 1.7-million shares of new stock on a one-for-one basis with Victor, a big seller of phosphorus to many industries. Both companies have considerable family control, and stockholder approval seems certain.

Western Canada's two largest pulp and paper companies—MacMillan & Bloedel and Powell River Co.—are merging to ease the pangs of a slump in the export of wood products and a long strike last year. The two companies, both of which have U.S. subsidiaries, had combined sales of \$215-million last year.

• • •

Court Upholds Antitrust Charges Against Sun Oil Dealer Contracts

Government antitrusters won a legal victory in Philadelphia district court over Sun Oil Co. in a nine-year-old case charging the company with illegally requiring its dealers to buy exclusively from Sun.

The case, filed in 1950, claimed that the company had violated the antitrust laws from 1928 on. But Sun contended that the kind of dealer contract the government complained about was discontinued in 1937.

The court's findings of fact were that Sun had required dealers to handle its gasoline exclusively and forced them to discontinue sale of competitive brands of motor oil, tires, batteries, and accessories.

• • •

Congress Passes Bill to Streamline FTC's Enforcement of Clayton Act

A 20-year campaign by the Federal Trade Commission to get Congress to streamline enforcement of its cease and desist orders under the Clayton Act is about to pay off.

Congress this week sent to the President a bill to make FTC orders against Clayton Act violations become final—automatically—60 days after they are issued, unless they are appealed to the courts.

At present, the Clayton Act, as amended by the Robinson-Patman Act in 1936, requires three steps before a businessman can be fined for violating the law:

- To issue an order, FTC must first prove a violation.
- The order is not legally enforceable unless FTC

can prove in court there was a violation of its order.

- A fine cannot be imposed until FTC can then show that the company has violated the court's order upholding the original FTC order.

Critics have long claimed that this procedure, in effect, requires FTC to prove three separate violations.

The new procedure is the same as that approved in 1938 for the enforcement of orders under the Federal Trade Commission Act. The FTC Act deals generally with unfair trade practices, while the Clayton Act deals with mergers, arrangements for exclusive dealing, price discrimination, and other specific trade practices.

If Eisenhower signs the bill—as he is expected to do promptly—fines for violating FTC orders can be imposed merely by showing that a businessman has violated an order. The federal courts can impose a maximum fine of \$5,000 for each violation—but this can be applied as a \$5,000-per-day fine in cases of continuing failure to obey a final order.

• • •

A Sip From Your Own Bottle Can Cost \$1,000 if FAA Adopts Airline Rule

Come September, an airline passenger who nips at his own bottle may find it the most expensive drink of his life. The Federal Aviation Agency has proposed a rule that:

- Bars the drinking of any alcoholic beverage on an airliner, unless it is served by the carrier itself.
- Forbids the carrier to serve a passenger who seems intoxicated.

Violations, by passenger or carrier, carry a fine of up to \$1,000. If an accused passenger refuses to pay a fine levied by FAA, the agency can turn the matter over to the Justice Dept. for court action.

Interested parties have 60 days to comment on the proposed rule, but no opposition is expected from the airlines. Pilots and stewardesses have long complained about the sale of drinks aboard as a safety hazard. The FAA proposal seems aimed at averting a more drastic ban by Congress, which has already held hearings on the matter.

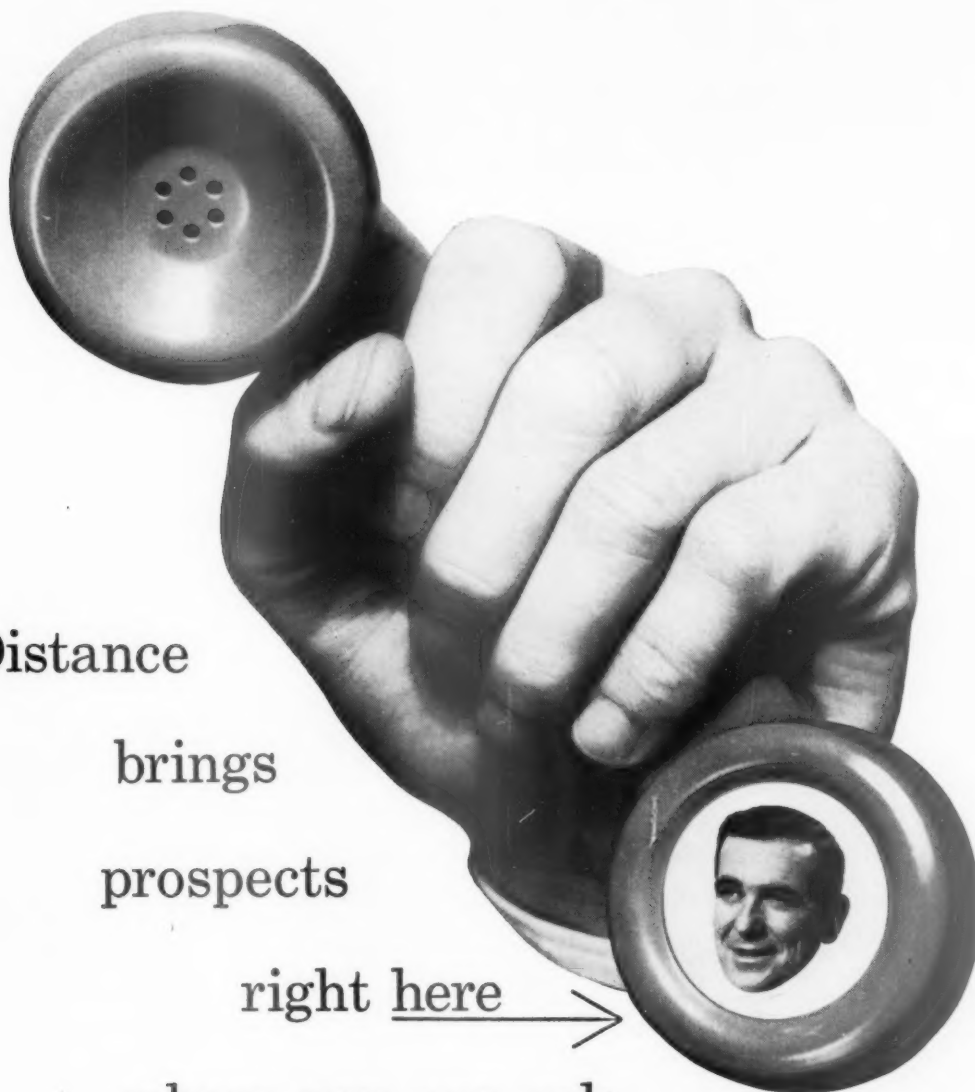
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Oil Hunter's Tax-Free \$100,000 a Year Succumbing to Brazilian Politics

Oil geologist Walter Link, a man who can boast one of the highest tax-free salaries in the world, will be out of a job next year.

Four years ago, Brazil's government-run oil monopoly, Petrobras, signed up Link—formerly head of exploration for Standard Oil Co. (N.J.)—to direct its search for oil in the Amazon. It gave Link a \$100,000-a-year contract, free of taxes, for a five-year period (BW-Sep.14'57,p82).

Recently, in Brazil's atmosphere of heated anti-U.S. feelings (partly caused by stalled negotiations for a big loan from Washington), Link has come under fire from leftists and ultra-nationalists. Apparently that—and Link's only modest success in finding oil—prompted Petrobras to announce that his contract would not be renewed next year. Beyond that, Brazilians gradually will replace all foreign experts now working for the company.



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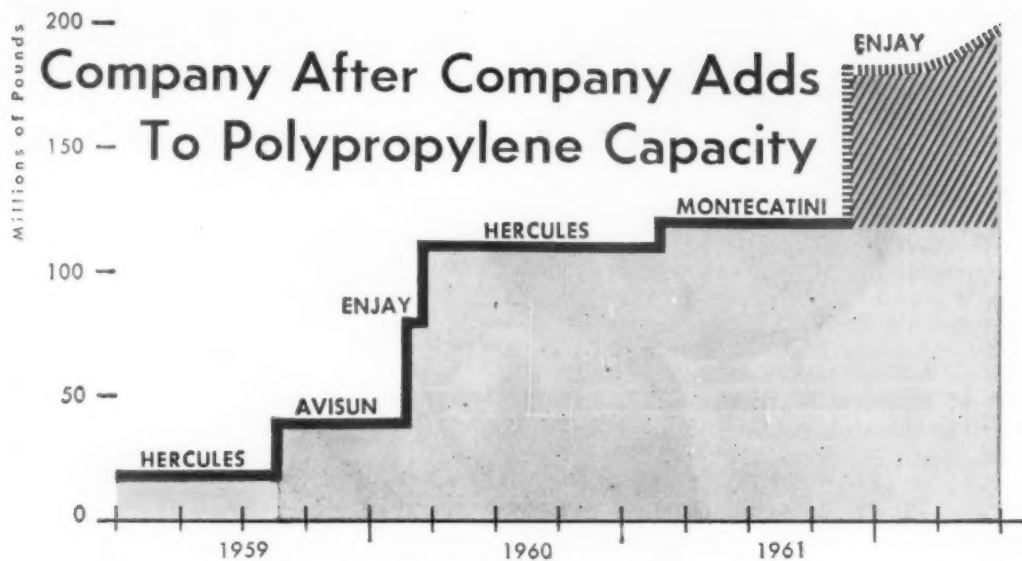
Each week, Joseph Stanelli, vice president of the Wellco Shoe Corp., Waynesville, N. C., personally sells about 1800 pairs of shoes by Long Distance. Annual sales total: \$200,000.

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Tomorrow's Hot New Plastic?

Polypropylene, a year or so out of the labs, is rated as the likeliest to match the 10-year record of polyethylene, though production and marketing problems remain tough.

"Another billion-pound plastic," Hercules Powder Co. calls its new polypropylene plastic, which came out of research and development barely a year ago.

That's a large ambition—a billion pounds of production annually is what Hercules means. Of the 25 or 30 plastics that compete in the same group, polyethylene alone is close to the billion-pound mark, which it is expected to pass this year. And polyethylene, used in plastic film and squeeze bottles, has created a sensation by rising in 10 years from 19-million lb.

Still, polypropylene stands today at 20-million lb. per year, all produced by Hercules at Parlin, N. J.; and virtually every plastics producer is keenly interested. As the chart shows, enough additions to capacity are in sight to boost polypropylene output past 180-million lb. in three years. As production bugs are eliminated and new uses are found, this growth could accelerate.

"There's never been a plastic quite so versatile that is quite so cheap," says a New York spokesman for Montecatini, the Italian chemical giant. Its first volume uses are expected in molded products in competition with nylon and polyethylene. And as a clear packaging

film it may run cellophane and polyethylene a rough race. Several companies are also at work developing it as a textile fiber.

- **Nearly Universal**—Basic raw material for the new plastic is propylene, a petroleum derivative that's just about as cheap as any plastic base you can find. It's used today mostly to make high-octane ingredients for premium gasoline; it costs only a few cents a pound.

When this unprepossessing material goes through the chemical process known as polymerization, it becomes a plastic with "nearly universal" uses, as an executive of Enjay Co. phrases it. Enjay is chemical marketing affiliate of Standard Oil Co. (N. J.), which is building one of the biggest polypropylene plants of all.

Like polyethylene, the plastic can be a film. AviSun Corp., new joint venture of American Viscose Corp. and Sun Oil Co., has an option on a plant to make this film; it will make the basic material at Port Reading, N. J.

It can also be a fiber. Montecatini technicians have woven wool-like blankets from it; Hercules plans to use it in automobile seat covers and is already selling marine hawsers that are almost

as strong as nylon and somewhat cheaper.

Polypropylene can withstand temperatures up to 300 F, compared with 200 F for ordinary polyethylene; thus, it can be sterilized at 212F for hospital use. This same ability, plus its resistance to chemical attack, gives it a potential in piping. It is light (specific gravity 0.9), so it may be in demand as airline dinnerware.

The auto industry is interested in the new material, too. Hercules reports that one auto company sent 40 engineers, at its own expense, for a briefing on polypropylene's properties.

I. Building Up Capacity

In the light of these attractions, the known growth of production capacity in the next three years almost looks slow. As the chart shows, these additions are announced or under way:

Hercules has the only plant already operating, with output of 20-million lb. per year. Its engineers are at work on refinements of the process that should boost output to 50-million lb. early next year.

AviSun Corp. is hurrying to get a 20-million-lb. plant into service by mid-summer. At a cost of \$1½-million, it is converting a polyethylene plant at Port Reading, N. J., leased from Koppers Co., Inc., to make the raw polypropylene. It also has an option on a plant where it will make polypropylene



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film and is spending up to \$1-million this year on development of polypropylene fiber.

Standard Oil Co. (N.J.) is building a 40-million-lb. plant at Baytown, Tex., that should be turning out polypropylene by mid-February. Humble Oil, one of Standard's operating companies, will produce the material; Enjay Co. will sell it. Spencer Chemical Co., under a special four-year sales agreement allowing it up to 50% of Humble's output, will aid Enjay in marketing it.

Montecatini of Italy announced last week that its U.S. subsidiary, Novamont Corp., will build a 10-million-lb. plant at Neal, W. Va., to be financed by a \$10-million bond issue. This is the first U.S. manufacturing venture for Montecatini, which has long been licensing its processes and selling its products here. Montecatini claims basic patent rights to polypropylene, though Hercules and at least three other companies challenge the claim.

Hercules' expansion and the new plants will raise U.S. capacity to 120-million lb. annually. Besides, New Jersey Standard says its Baytown plant can be expanded to 100-million-lb. capacity. Thus, output could be as high as 180-million lb. in 1962.

• **Dark Horses**—This is still a long way from Hercules' talk of 1-billion lb. But polypropylene could yet beat polyethylene's growth record in a 10-year span if even a few of the big companies exploring the field should decide to take the plunge.

II. Working On It

As usual when something breaks in the chemical industry, few companies will talk about their plans and nearly all substantial companies are involved to some extent. Belief in the trade is that, apart from those with plants announced, the companies which have gone farthest at this point are Eastman Chemical and Allied Chemical, as well as Dow, du Pont, Monsanto, Amoco Chemicals Corp., Union Carbide, and Phillips Petroleum. It is also a good bet that Spencer's, a basic producer of plastics, won't always be content in its purely salesman's role.

• **Competition Ahead**—Entry into production by a few of these, and others that are interested, would see polypropylene well on its way toward the billion-a-year mark. But the new material faces a stern test of competition. It must buck two dozen or more plastics that have established themselves in markets where users have invested millions in fabrication equipment.

Price will obviously be a factor. Today, polypropylene sells at 42¢ a lb., having dropped in only 18 months from 65¢. The current price is 4¢ to 7¢ higher than polyethylene, but is

cheaper than nylon at \$1.18 a lb.

Polypropylene is priced just about twice as high as polystyrene, widely used for inexpensive housewares and toys, which sells for 21½¢ a lb. But it took polystyrene 20 years to get down to its current price, and many people in the industry think polypropylene has a good chance someday of competing with it in price.

• **Cost of Change**—Part of its disadvantage, however, will be based on the investment that fabricators already have in equipment to handle rival plastics. Polypropylene is still in the early stages of development, and fabricators may think twice before switching from long-established materials.

Fabricators will have to be shown price and quality advantages before they'll scrap or modify machinery that won't work with polypropylene because of differences in shrink rate, process temperature, greater or less stiffness of material, or other characteristics.

Jersey Standard officials warn that big money will have to be spent by any company that goes into polypropylene—for building the plant and perfecting the process, for developing product uses, for helping customers adapt to the new material. Standard estimates it will have spent \$30-million to \$35-million just to get into production, and it expects to spend many more millions before the product starts to pay off.

Standard is relying on technical "back-up" of its customers to win a profitable market. A. Bruce Boehm, executive vice-president of Enjay, says first-rate quality control, applications research, and customer service labs are absolutely essential.

• **Difficulties**—Polypropylene's problems as well as its potential are recognized by AviSun Corp., too. That's why, according to C. A. Setterstrom, AviSun's assistant to the president, the company is hedging by leasing its production facilities rather than building its own, and by taking only an option on a plant to make film.

In AviSun's current million-dollar research on fiber, it has found it hard to make fiber that is stable. Dyeing it is another problem. But AviSun people talk confidently of taking leadership in polypropylene fibers. They count on the experience of one of their company's parents, American Viscose, to be the clincher. American Viscose is one of the leading U.S. producers of cellophane and one of the first to produce synthetic fibers.

Hercules, too, thinks fiber problems will be overcome. It sees polypropylene first as an industrial fiber. When woven into cloth, it is lighter than canvas duck and much more impervious to chemicals. Later, Hercules sees uses, if the dyeing problem can be solved, in wash-and-wear apparel.

From the start of its manufacture, polypropylene offers a challenge. Though the basic raw material is cheap, it is corrosive and highly inflammable. And the entire process is tricky.

"The lousiest polymer I ever worked with," says Paul Johnstone, director of polypropylene development for Hercules.

III. Production Problems

Making the stuff is only the first step—the real problem is to keep it from breaking down again, or "aging," when exposed to heat and light. Johnstone says Hercules has licked this problem not only by using special additives to stabilize the polymer but also additives to stabilize the additives—and still other additives for those additives.

Most companies think this problem is under control, though they are careful not to recommend polypropylene's use in all-day glare of sunlight. The material is also relatively brittle at low temperatures, but Enjay officials say researchers have been fairly successful in remedying this defect.

• **Its Chemistry**—For competitive and legal reasons (a long fight over patent rights appears to be brewing), no company that's developing polypropylene is willing to discuss more than the barest outlines of its production process.

Basically, though, three steps are involved:

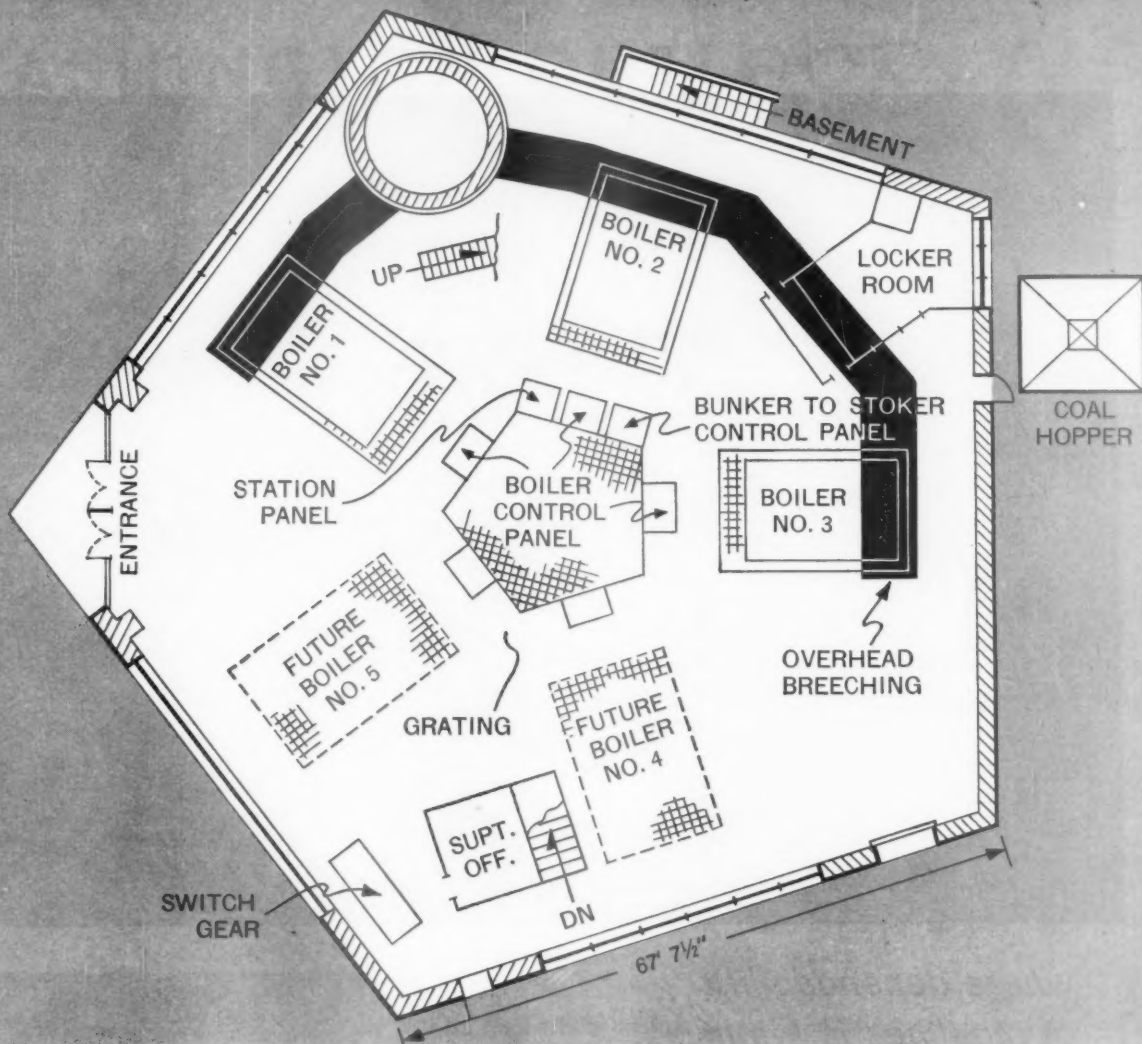
- **Polymerization**, which means the propylene molecules are hooked together in long chain-like groups. This process depends partly on the presence of a catalyst, an agent that promotes a chemical reaction without entering into it.

- **Purification**, in which the catalyst is removed.

- **Finally**, removal of solvents and extrusion of the polypropylene in the form of pellets, about one-quarter the size of a pencil eraser.

As with many other plastics, the key to making polypropylene lies in the use of organic-metallic catalysts of the type discovered by Germany's famed Dr. Karl Ziegler. These catalysts guide the orderly, as opposed to random, way of forming the giant molecules. This orderly alignment of the propylene molecules into these polymers is what gives the manmade material its special properties.

- **Legal Fight**—Patent lawyers are virtually assured of many years of work to find out who holds rights not only to the basic material but also to the many processes. Hercules and three other U.S. companies are already challenging Montecatini on the first point, and it appears that there will be as many legal actions on the varied processes as there are ways of polymerizing the new plastic. **END**



Hospital cures fuel ills with "little Pentagon"

Richmond State Hospital burns coal for economy and availability in modern pentagonal power plant

After a power system failure at the Richmond State Hospital, Richmond, Ind., the administration conducted an engineering survey of its steam-generating operation. Over-age equipment indicated the need for entirely new facilities. The shape of the boiler room site prompted the unconventional pentagonal installation for best possible adaptation of space to present and future needs. Economy and availability dictated the choice of coal as the fuel. Today a new power plant—designed by Fleck, Quebe and Reid, Indianapolis, with F. B. Morse, of Purdue University—burns coal in a completely modern, automatic operation. The outstanding features of this compact installation are its high combustion efficiency, minimum manpower requirement and continuing ease of maintenance.

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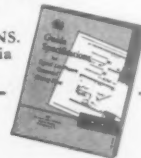
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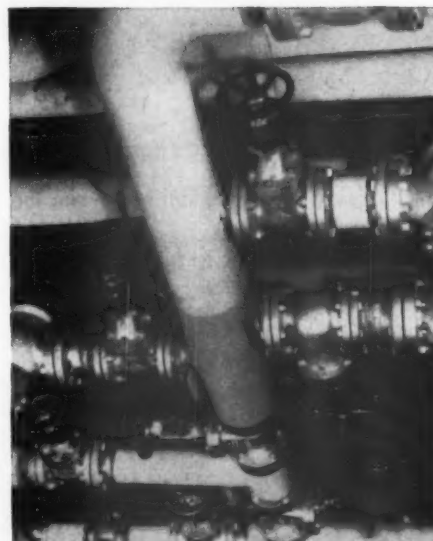
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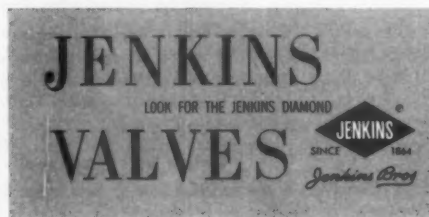
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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JULY 11, 1959



Washington discounts Khrushchev's latest war threats. The official attitude, after days of study of the Harriman account, is that the Russian leader is bluffing—trying to force Eisenhower into a summit conference.

The U. S. still figures it has a military advantage, and that this will deter the Reds. Russia's rocket experiments have gone off very well. But intelligence says the early weapons were handmade and are not yet in production. Russia has her production problems, as we do.

The fact is that Eisenhower will not go to a summit meeting unless he has more evidence than he now has that Russia is willing to bargain.

Will Khrushchev come to the U. S.? He wants to come. All of his actions in recent months indicate he is fishing for an invitation. His associates have been well received here. The thing that worries the White House is that the hospitality granted can be used as propaganda against the U. S. abroad. Friendly treatment might be accepted as recognition of Red strength.

—•—

Note how the military appropriation bill is shaping up. Involved is more than just the money for the Pentagon; policy is being set, as well.

The House cut Eisenhower's request by some \$400-million—and at a time when party leaders were attacking the President for applying his economy doctrine to the defense establishments.

The Senate now has the bill. Its own Appropriations Committee added \$746-million to the House bill. On balance, this amounts to a boost of only \$346-million over what the President asked. Odds are that the final bill will be very close to the President's budget—\$39.2-billion.

But there will be some shifts in funds, mostly in favor of companies that build the newer weapons. The Senate wants an atom-powered aircraft carrier, as against the Administration request for a big new carrier with conventional power. The Senate bill increases funds for the Army's missile-against-missile program—the Nike Zeus project. And there's some extra money for intercontinental ballistic missiles. But the important point is that the military appropriation bill still is very close to what Eisenhower asked, despite Democratic criticism. The President's powerful hand on spending policies still holds sway.

—•—

Note the trend on nuclear ship propulsion. Atom-powered submarines have proved highly successful. Now the power will be used for surface ships.

A merchant ship will be first—the Savannah. It will be launched at Camden, N. J., before the end of the month and in operation on the high seas by a year from now.

An aircraft carrier will be next—the Enterprise. It will be launched about a year hence and will be with the fleet in 1961.

Now building is a nuclear-powered destroyer. It will be a guided-missile launcher with speeds much greater than anything now afloat.

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The Democrats are in a real mess—fighting among themselves.

Non-elected leaders want to run the party—the Advisory Council, made up of such men as Truman, Stevenson, etc. Their voice is that of national

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JULY 11, 1959

chairman Butler. They want big spending bills and lots of New Deal-type social legislation.

But the control of action is in Congress. It's held by the elected leaders. The Texas twins, as they are often called, really call the tune: Speaker Sam Rayburn in the House and Majority Leader Lyndon B. Johnson in the Senate.

The Democratic-run Congress will stay moderate. Rayburn and Johnson just don't buy the argument that what the party needs is a sharp turn to the left. They have shelved the big Democratic spending plans of last January and have no intention of bringing them out.

Mail to Congress favors Eisenhower's conservative line, especially on spending and the danger of inflation. Rayburn and Johnson are well aware of this. Their compromising attitude reflects it.

This irritates the Democratic left.

But Congressional leaders figure this way: With the party badly split, the thing to do is concentrate on holding Congress—keeping Democratic majorities in the House and Senate. The risk, as they see it, is that a left swing at this time, with employment high and business good, wouldn't do much if anything toward winning the White House next year. In fact, they figure such a move not only would cost Presidential votes but would also endanger many members of Congress, especially in the House.

Congress still faces bitter controversies. While the Democratic leadership has just about discarded all of the early big-spending bills, it still wants to make a political record this year. The session next year will be short, with party conventions starting in July.

Rayburn and Johnson are willing to prolong this session to get action.

—•—

The housing bill veto will stand.

A new measure will go to the White House. Even if it is limited to an increase in home mortgage insurance authority, the huge federal housing program won't grind to a halt. Here's why:

FHA still has authority to insure \$1.2-billion in mortgages. This is the most important program—the one Congress is sure to pass no matter how the politicking works out.

Urban renewal—slum clearance—won't stop even if no new bill is passed. Projects costing \$1.3-billion have been approved but only 26 projects completed. It will take years to finish those already in the works.

Public housing is controversial but there are 100,000 units still to be started, without any new law.

About half the college dormitories in the \$1-billion program have been built—but some 150 with money allotted are yet to be started.

This is the situation that's behind Eisenhower's veto message. He wants new authorizations and commitments to be held down, and he figures he's doing no harm to homebuilding by his veto.



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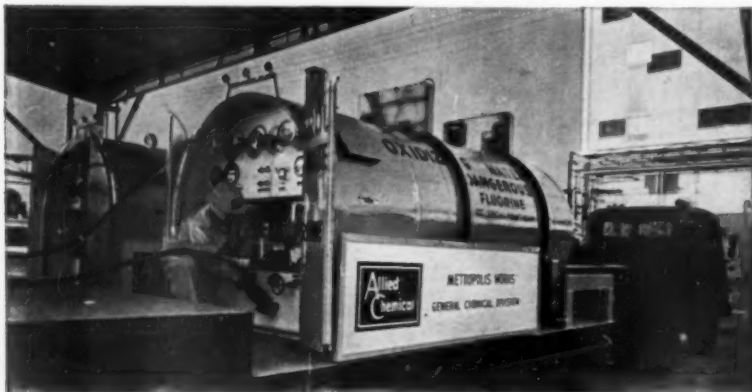
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In Business Abroad

. . .

Hoglund Takes Over as Chief Of GM's Huge Overseas Division

Elis S. Hoglund last week moved up to replace Edward Riley, now retired, as boss of General Motors' huge Overseas Operations Div. Hoglund (picture) has a big job to fill, for GM Overseas is the company's largest single division. It has 105,000 employees overseas, 2,000 more in New York and Detroit. In the auto-truck field alone, the division claims to be the world's leading producer of lighter, smaller cars. Last year Opel in West Germany turned out 313,000 cars and trucks; Vauxhall in Britain, 174,000; and GM- Holden's in Australia, 111,000. Only 15% of the cars that the division sells overseas come out of GM's assembly plants in the U.S. but that may change later this year after Chevrolet unveils its new "compact" car—the Corvair.



Detroit already has hinted at a concerted drive abroad to sell U.S.-made smaller cars to beef up export earnings. Industry observers see a sizable market ahead for these cars in Latin America—and perhaps in Western Europe. And they speculate that sales of the compact cars abroad may be the biggest job facing GM Overseas' new general manager.

. . .

Mexico to Lend Steel, Oil Technicians To Venezuela, Ecuador, and Others

For years, Latin American countries have worked toward closer cooperation in coping with both political and economic matters. For instance, the Economic Commission for Latin America (ECLA), offshoot of the United Nations, has pushed development of a common market for Latin countries.

Now Mexico is showing that Latin countries can give down-to-earth technical aid to each other. The Venezuelan Iron & Steel Institute has asked Mexico to help set up a sheet steel plant. Mexico's government-controlled steel plant, Altos Hornos, has indicated it will accept the request and send equipment and technicians to Venezuela.

At the same time, Ecuador has sent out a call to Mexico's government-run oil company, PEMEX, to lend technicians and equipment to help start a national oil company. PEMEX officials have accepted the request—and say that oil companies in other Latin countries also hope to get help from Mexico.

MORE NEWS ABOUT BUSINESS ABROAD ON:

- P. 46—In Britain, the press lords of Fleet Street are plunging into the lucrative magazine market to boost earnings.

Meanwhile, PEMEX may soon announce a program for refining crude oil from independent oil companies in the Middle East and Venezuela that do not want to sell—or can't sell—their crude to the big integrated oil companies. Under the program, PEMEX would refine a customer's crude, ship out the refined products to specified customers, and retain various byproducts as part or total payment for the job.

. . .

Giant Belgian Holding Company Steps Up Its Canadian Investments

Belgium's leading holding company, the Societe Generale, is investing heavily in Canada through its affiliated Sogemines, Ltd. This could be a hedge against the uncertainty that overhangs Societe Generale's vast interests in the politically awakened Belgian Congo.

Sogemines latest venture in Canada is a \$17-million chemical plant at Maitland, Ont., near the St. Lawrence Seaway. The plant will produce ammonium nitrate, nitrogen solutions, anhydrous ammonia, and hydrogen for industrial use—largely for the local factories of du Pont Co. of Canada, Ltd. Natural gas from Alberta will be the main raw material.

The Sogemines move into chemicals follows fast on the heels of a still larger investment in steel, made in partnership with Dominion Steel & Coal Corp. (BW—Jun. 6 '59, p. 94). Sogemines has other Canadian interests in cement, glass, oil, and transport.

. . .

Two More U.S. Companies Setting Up Plants Inside the Common Market Area

U.S. industry continues to invest heavily in the European Common Market. Among the latest entries are Columbian Carbon Co. of New York and Milwaukee's Chain Belt Co. Both are moving into Italy.

Columbian Carbon is building a \$6-million plant near Milan through a wholly owned subsidiary. The plant, due to go into operation in 1961, will have an annual capacity of 60-million lb. of carbon black. That will give the company production facilities in Italy that are larger than those planned by Godfrey L. Cabot Inc., of Boston, but not so large as Cabot already has in France.

Chain Belt will manufacture its full U.S. line of chains through a subsidiary called Rex-Regina S.A.—a 50-50 joint venture with Italian interests. Chain Belt also is setting up a Japanese subsidiary to produce concrete mixing and placing equipment.



BRITISHERS at busy newsstand outside Victoria Station take their pick of Fleet Street's hundreds of magazines and newspapers, from the *Economist* to the *Daily Express*.

Press Lords S

London's *Daily Mirror* and *Odhams Press* are battling for circulation leadership of Britain's magazine industry.

The long-awaited hour for releasing Klaus Fuchs from Wakefield Prison was at hand.

British authorities had devised a series of ruses to slip the turncoat atomic scientist out of the country unnoticed. Not even the top reporters and photographers who were hot after one of the biggest stories in weeks knew the exact time of his release or his destination.

Whisked by Scotland Yard over back routes to London Airport, the thin, unsmiling scientist boarded a Polish airliner bound for East Berlin. But Fleet Street had tailed its quarry all the way.

After take-off, *Daily Express*man Arthur Chesworth dropped into the seat



MAGAZINES for women are one of the hottest fields in British publishing. Here, readers scan *Mirror*-owned *Woman's Illustrated* and *Odhams*-owned *Woman*, both weeklies.

NEWSPAPERS are part of daily diet of commuters (right). Strike of printers and ink makers at midweek threatened to force temporary shutdown of national dailies.



s Slug It Out on Fleet Street

next to Fuchs, with an Express photographer in tow. Also aboard were correspondents from the Daily Mail, Daily Herald, and Daily Sketch.

Next morning, under blazing headlines—EXIT—THE TRAITOR and I FLEW WITH FUCHS—newspaper readers across Britain were treated to the final comments of one of their country's least distinguished exports.

• **Battle for Top Spot**—For Fleet Street's reporters and subeditors (deskmen), the game of sleuthing to make a headline is routine. Not so ordinary, however, is the news that the "popular press" itself is making these days. Two of its heavyweights—the Daily Mirror-Sunday Pictorial combine and Odhams Press, Ltd., both owners of mass-circulation papers—are battling for leadership of Britain's magazine industry.

The fight began last November when the Daily Mirror's Cecil Harmsworth, King, press lord and fast-stepper, man-

ager, grabbed control of Amalgamated Press (over 70 magazines) in a \$51-million deal. In March, Odhams Press' Alfred Charles Duncan swooped down on Hulton Press. For a \$5-million stock trade, Odhams took over Hulton's Lilliput, Farmer's Weekly, and a group of boys' magazines.

While the Daily Mirror consolidated its broadened publishing empire, Odhams swiftly closed in on George Newnes, Ltd.—owner of such profitable properties as Tit-Bits (No. 1 men's magazine) and Woman's Own (No. 2 women's magazine). Now, with the battle for circulation going full force, the Daily Mirror and Odhams are lopping off unprofitable magazines and beefing up staffs of the magazines they think will earn the most money.

Behind the magazine battle is the fact that Fleet Street's 19 dailies and 10 Sunday papers have reached close to the ceiling in circulation. The Mirror,

top-selling tabloid (circulation 4.5-million), has about reached a peak. To pay the extra costs of newsprint and labor, it would have to boost circulation almost 1-million—at one jump. And in Fleet Street's bitter competition for readers, that's hardly possible.

I. Circulation Fight

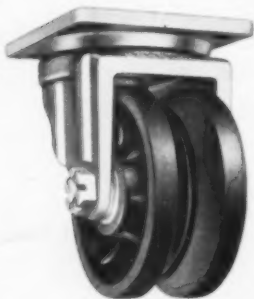
Still, Britain's popular newspapers—sometimes labeled the "gutter press"—are as lively today as they were at the turn of the century. There is some truth in the old saying that the British get their news from the BBC, their political guidance from the provincial papers, and their entertainment from Fleet Street.

• **Booster Tactics**—Some 60 years ago, Lord Northcliffe (Alfred Harmsworth), Lord Rothermere (brother of Alfred Harmsworth), and other Fleet Street press lords began building brash, mass-



CASTERS KEEP PACE

*with improvements
in materials-handling*

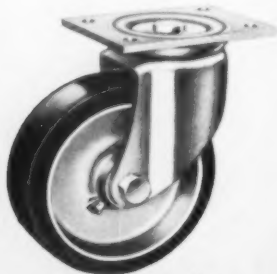


For inverted angle iron tracks: Bassick grooved wheel casters effect amazing reductions in handling costs. Light, medium, heavy and super-heavy duty models.

Automated materials-handling is getting a close look from industry today—especially where labor accounts for the bulk of operating costs.

"In-floor" and overhead draglines, mono-rail and track set-ups, and tractor-pulled truck-trains are some of the advanced systems being installed.

Castors for automatic and semi-automatic handling systems have also been developed. They stand up to the high speeds and heavy abuse of power-pulled duty. Some of these, standard models in Bassick's line, are shown here. There is a local Bassick distributor who carries the most popular casters in stock . . . and can assist you on any caster requirement. **THE BASSICK COMPANY**, Bridgeport 5, Conn. In Canada: Belleville, Ont. 9.22



For heavy duty dragline truck systems: Bassick Series "S99" casters combine the advantages of strength (heavy gauge steel) with light weight and economy. Sealed bearings optional.



MIRROR boss Cecil King bought Amalgamated Press' magazines by outbidding . . .



ODHAMS Chmn. A. C. Duncan, who countered by buying George Newnes, Ltd.

circulation papers. For instance, the Harmsworths started the Daily Mail in 1896, pushed circulation to 1-million four years later, and by 1929 hit circulation close to the present 2.1-million. Even today, in its battle with Lord Beaverbrook's Express, the Mail uses tricks that most American newspapers long ago abandoned in order to boost circulation.

Earlier this year, for example, it financed the wild expedition by balloon across the Atlantic. At first, false radio signals from Venezuela indicated that the balloon had landed in the Venezuelan jungles. When it did reach Barbados, the Mail flew one of its New York correspondents (who was already in Cuba covering the movie-shooting of Graham Greene's *Our Man in Havana*) to the island for a front-page exclusive.

Similarly, the Daily Mirror ran a contest after the Suez crisis. It asked readers to answer in 50 words three questions, including "How can Britain restore her relations with America?" The prize: a free trip to Jamaica where ex-Prime Minister Anthony Eden was recovering from ill health.

• **News Coverage**—Filled with crime, sex, and adventure stories, the popular press may be—as one American correspondent in London puts it—"the world's worst journalism." For news from the British press, most Americans rely on the staid Times (circulation 235,000) and other "quality papers" such as the Manchester Guardian and Observer which have low circulation (by British standards) but high-brow content.

Still, the efficient, modern methods of news coverage employed by a popular paper such as "the Beaver's" Express impress American journalists. The Express even switches correspondents in its New York office every six months

to give staffers some experience in America—a top foreign beat for Fleet Street.

Beyond that, while Fleet Street has copied American papers in slapping lead stories and banner headlines on the front page, American tabloids on their part have stolen editorial techniques (including heavy use of pictures) from Fleet Street. When the Chicago Tribune launched the highly successful N. Y. Daily News in 1919, Robert R. McCormick and Joseph M. Paterson personally surveyed British tabloids for ideas. Even now, the London Mirror gives office space to the Daily News' London correspondent—and the Mirror has desks in the News' city room for its New York staff of three men and one woman.

II. A Game for Giants

In Britain, as here, newspapers have been folding because of economic troubles. Recently, Lord Kemsley—owner of the Sunday Times and brother of Lord Camrose (Daily Telegraph)—said that "more than 80 newspapers have ceased publication in the past three years." Most of the papers that died have been outside London. Advertisers have increasingly shifted from the smaller provincial papers to the national papers. This has been a boon to Fleet Street, already under attack from Britain's fast-growing commercial TV.

• **National Audience**—Fleet Street's power is its ability to reach out to a national audience. That's partly because of Britain's small size. The national dailies can be delivered to Glasgow in five hours. Besides that, several papers print in two or three locations.

The closest thing to a national newspaper in the U.S. is the N. Y. Times. But even the Times has not succeeded

General Electric uses two matched cells of Celanese Acetate to suspend the product in the card. Product is visible from front, side and rear.



Package by Crystal Thermoplastics, Inc., and John W. Little Co., Pawtucket, R. I.

NOW...inexpensive see-and-sell cards made with vacuum-formed sheeting of Celanese Acetate



For many reasons, General Electric is using Celanese Acetate sheeting to package several new items in their quality line of electrical hardware. These reasons may apply just as well to your own products.

Clarity—Customers get a crisp, clear view of your product through the transparent acetate cells.

Selling Power—It's so easy to handle the colorful card; you can suspend it from display racks as a point-of-purchase piece. Sales message and instructions are part of the package. It's a real booster for impulse sales.

Protection—Vacuum-formed Celanese Acetate sheeting makes clean-lined enclosures which are rigid enough to protect your product from rough handling.

Low Production Cost—The packaging process can be integrated right into your assembly line. With these uniform cells and simple sealing equipment, you can perform the final step in production rapidly, economically, and often automatically.

Learn about other marketing successes with vacuum-formed sheeting of Celanese Acetate. We'll send you data on properties and processing of the material. Write to: Celanese Corporation of America, Plastics Division, Dept. 128-G, 744 Broad Street, Newark 2, N. J.

Celanese®

Canadian Affiliate: Canadian Chemical Company Limited, Montreal, Toronto, Vancouver. Export Sales: Amcel Co., Inc., and Pan Amcel Co., Inc., 180 Madison Ave., N. Y. 16.

Acetate... a *Celanese* packaging plastic

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8 ways to identify the leader of

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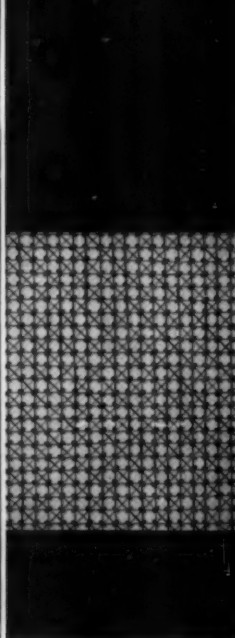
You can do up to 8 different, independently programmed jobs — simultaneously



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You can process more data per dollar in a working day, on small volume applications or large



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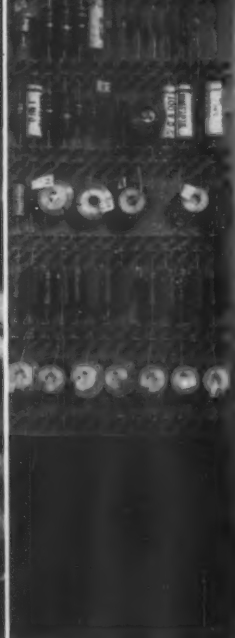
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Advanced design of the highest order. Continuing service of the highest quality. This is what you get when you do business with the Honeywell 800 — and Honeywell.

If your company is ready to capitalize on the benefits of transistorized data processing now (and for years to come), your technical executives and specialists should know the Honeywell story.

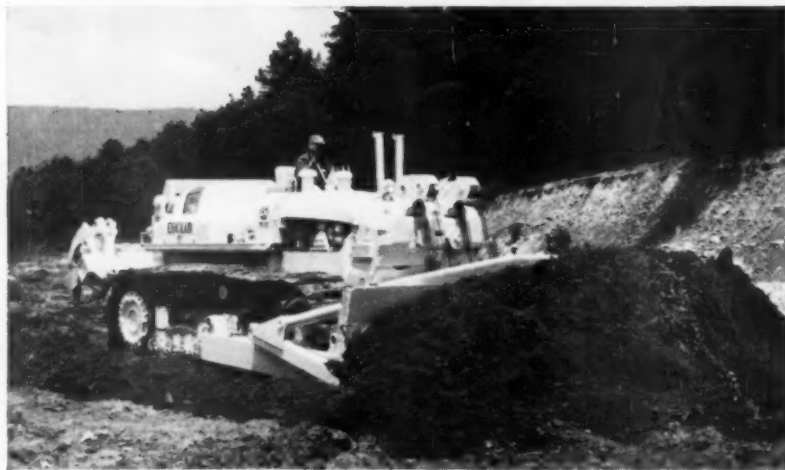
For full details and specifications of Honeywell 800, write Minneapolis-Honeywell, Datamatic Division, Dept. B-5, Newton Highlands 61, Massachusetts.

Honeywell



Datamatic
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TC-12 is world's most powerful crawler

A completely new concept in tractor design and performance when it was introduced 5 years ago, Euclid's TC-12 Twin-Power Crawler continues to lead the field by a wide margin. It has proved its unequalled work-ability on the toughest jobs in heavy earthmoving, mining, logging and industrial operations... push-loading big scrapers, bull-dozing and ripping earth, rock, coal and ore, and towing heavy equipment. Recent major improvements make the new series TC-12 even more reliable than ever.

Powered by two engines—each with separate Torqmatic Drive—a total of 425 net h.p. is delivered to the power trains. Independent track drives and full power shift from one speed range to another give this big Euclid almost unbelievable maneuverability and ease of operation.

Compare TC-12 performance with the productive capacity of your present tractors... see how this Twin-Power Euclid can bring a greater return on your investment. There's a Euclid dealer in your area who can provide all the facts and figures.



EUCLID
DIVISION OF GENERAL MOTORS
Cleveland 17, Ohio

Two other machines in Euclid's Big 3 are helping to beat the pinch on profits... they're the TS-24 "Twin" Scraper and the S-18 single engine scraper of 30 yds. heaped capacity. Each is a top performer in its class.



in experiments at trying to publish simultaneously in different cities. (The Wall Street Journal does this, but it is primarily a business paper.)

Fleet Street's success in amassing circulation also stems from the lack of top-flight weekly magazines such as Time and Newsweek. Weekly papers—the Guardian, Observer, and New Statesman—fill the role of quality magazines. And for inside reports (mostly taken from trial records) on murderers, eccentrics, and society, the Sunday News of the World (circulation 6.7-million) takes the place of any number of American pulp magazines.

To stay alive, British newspapers and magazines alike have to boast a huge circulation. Take the case of the Picture Post, owned by Sir Edward and Lady Hulton. The Post, a Life-style magazine, closed its doors last year even when it was still selling 600,000 copies. Sir Edward sadly remarked that magazine publishing had become a game for giants. And he was soon proved to be right.

III. Financial Men Move In

Along Fleet Street, the financial experts, skilled at welding new amalgamations out of newspapers and magazines, are replacing the old press lords. Typical of this were the maneuvers to win control of George Newnes.

In April the News of the World unexpectedly offered to buy Newnes for \$27-million. Newnes promptly appointed a new managing editor, declared a bonus stock issue, and promised a higher dividend. Then, News of the World hiked its offer to \$31-million.

Odhams Press was on the sidelines—waiting to move. In 1957, its Daily Herald (circulation 1.5-million) had been foundering. Odhams kept it going, partly because it needed a huge daily to operate its magazine-newspaper printing plant economically. By early this year, the Herald was doing fine. Fleet Street's decision to raise the selling price of papers had helped. And the diversion of advertising to TV stations was slowing down.

In March, Odhams bought the Hulton Press. Seeing the News of the World's grab for George Newnes, it made a counterbid so attractive that Newnes' directors accepted it.

• **Long-Run Odds**—While the Odhams-Newnes group is now first in size in the magazine field, Fleet Streeters believe that the Daily Mirror-Pictorial combine may win top place—in the long run. It's a publishing empire with strong financial resources and managers who know what the public wants to read.

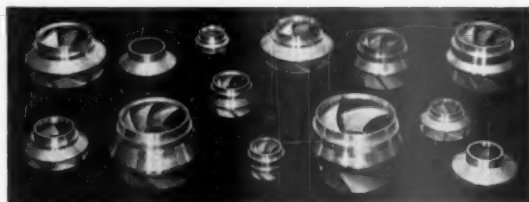
"Publish and Be Damned" is the book that editorial director Hugh Cudlipp wrote to describe the Mirror's at-

**\$321,000 TO REDESIGN
THIS BOWL ASSEMBLY**

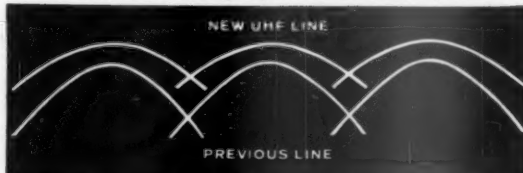


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UHF* VERTICAL TURBINE PUMP LINE GIVES YOU BROADER COVERAGE, HIGHER EFFICIENCIES



BROADER COVERAGE These are some of the 36 different impeller designs in the complete UHF line. Broader coverage means you are more likely to find a pump that matches your requirements.



HIGHER EFFICIENCIES On the average, the new UHF line has peak efficiencies 4% greater than the previous line. The new line also maintains these high efficiencies over a wider operating range.

*ULTRA-HIGH FLOW

For the first time in ten years a manufacturer has redesigned an entire line of vertical turbine pumps. More than a third of a million dollars and five years of time went into redesigning the heart of the pump—the impeller and bowl assembly. Even Worthington's engineers were surprised by the results of their efforts. The new Worthington UHF line gives broader coverage and higher efficiencies (average 4% higher).

Send for your copy of a booklet on the new UHF line. Write to Worthington Corporation, Section 24-3, Harrison, N.J. In Canada: Worthington (Canada) Ltd., Brantford, Ontario.



consideration of a Western Plant Site from a Traffic Manager's Viewpoint

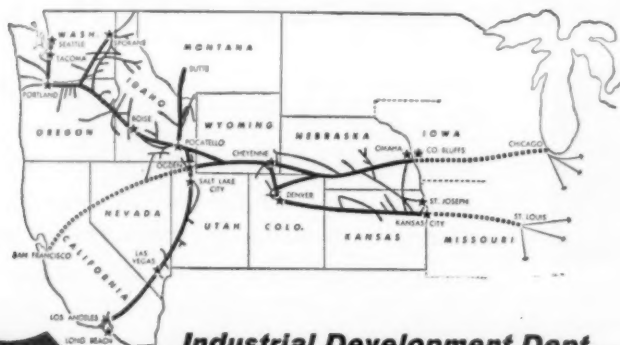
Among the various factors to be carefully considered when selecting an industrial plant site, transportation is of vital importance.

That's where the Traffic Manager's experience and judgment is invaluable. He knows routes—he knows rates.

He also knows that when a plant is located on or near Union Pacific trackage, he can be assured of a reliable freight service backed by the most modern facilities and equipment.

Other factors such as production and communication utilities . . . labor and living conditions . . . also will be to your liking.

We suggest you contact your nearest U.P. representative, or get in touch with us direct, for confidential plant site information.



Industrial Development Dept.
UNION PACIFIC
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titute. (It paid for this attitude a few weeks ago when it lost a libel suit filed by entertainer Liberace.) By its flamboyant journalistic techniques, packed into a small 24-page paper, the Mirror has passed the Express in circulation—though not in prestige.

It has other substantial holdings. Seeing a battle ahead against TV's inroads, it bought a large chunk of Associated TeleVision Ltd. It has pushed its profitable Sunday Pictorial. In addition, it owns part of Anglo-Canadian Pulp & Paper Mills and Albert E. Reed & Co., newsprint producers.

• **Counter Offer**—Biggest move came late last year when the Mirror's Cecil King, nephew of Lord Northcliffe, bid for Amalgamated Press. After Northcliffe's death in 1922, the family had sold Amalgamated to pay death duties. King apparently felt the time was ripe for bringing the big publishing house back into the family.

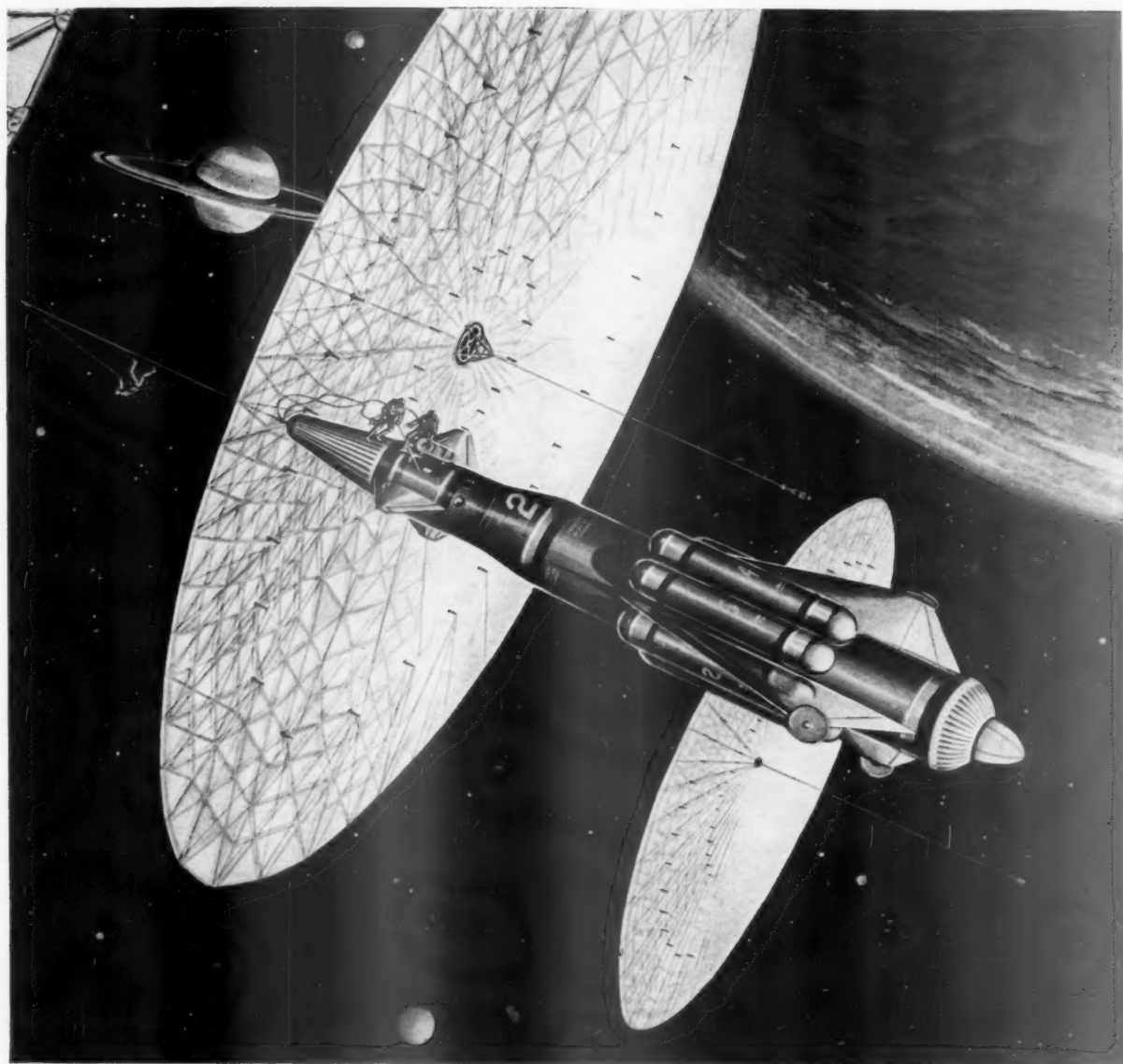
Odhams immediately made a counter offer for Amalgamated. But the Mirror topped the offer—and won. So big is the Amalgamated group of magazines (including Kelly's Directories, a goldmine property that lists street addresses of all Britishers) that the Mirror later discovered it had bought Conde Nast in the package. For financial reasons, the Mirror quickly sold Conde Nast (Vogue, Glamour) to American interests—for a nice profit.

Now the Mirror and Odhams are heading into a period of knockdown, dragout fighting. In newspapers, the Mirror clearly has the lead. Cecil King's Sunday Pictorial (circulation 5.5-million) is out front against Odham's People (circulation 4.9-million), also a Sunday paper. And the Daily Mirror is three times as big in circulation as Odhams' Herald.

• **New Blood**—To strengthen their newly acquired magazines, each competitor has brought in new blood. Top editorial brain at Odhams will be Sir Christopher Chancellor, formerly general manager of Reuters. To make profits from the rapidly expanding women's magazines, the Mirror has hired Eileen Ascroft Cudlipp, wife of the Mirror's editorial boss.

Both competitors will be battling for a large slice of the \$288-million that British companies pour into press advertising. (That's more than twice the annual paid ads on TV, though TV ad income is rising far faster.) What with TV's growth, newspapers and magazines are likely to emphasize entertainment, rather than information, more than ever to hold and build circulation.

Thus, while Fleet Street may not be journalism by U.S. standards, it certainly will never be dull. It is—as Drew Middleton of the N. Y. Times puts it—"a bubbling, uproarious, and pyrotechnical circus." **END**



STEPS IN THE RACE TO OUTER SPACE

Solar Wind Ship

The large circular objects are Solar Wind Ships, capable of carrying astronauts on fuel-less journeys through the solar system, using the Sun's expanding flood of radiation—or "trade winds"—as a direct propulsive force. These trade winds are harnessed by sails of plastic film, coated with shiny evaporated aluminum.

Although the push of solar radiation is extremely weak—about the weight of four cigarettes per acre—it is ample in the friction-free, weightless vacuum of space to drive the Wind Ship at a constantly accelerating speed. For long trips into space, sails are several miles in diameter, cross-braced by plastic masts

and fine, glass filament rigging. In the center of the sail, an inflated wheel-shaped hull is mounted in a tripod arrangement. This hull, powered by solar batteries, can revolve in any direction, providing artificial gravity for its crew and functioning as a gyroscope to stabilize and control the attitude of the sail.

In the illustration, a flotilla of manned Solar Wind Ships is approaching Saturn. To the right is Titan, largest of Saturn's nine moons and the only satellite in the solar system known to have an atmosphere. In the foreground, a crew of astro-

nauts enters a small ferry-rocket, towed behind the Wind Ship. Since the Wind Ship cannot land on any planet, they will explore Titan in the Atomic-powered rocket, then rejoin the fleet for the remainder of the trip to Saturn.

Inertial navigation systems will play an increasing role in the exploration of outer space. **ARMA**, now providing such systems for the Air Force ATLAS ICBM, will be in the vanguard of the race to outer space. **ARMA**, Garden City, N. Y. A Division of American Bosch Arma Corp.

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Get rid of disturbing noise



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that cleans easily; Units that snap into tee bars for tight, firm joints; A ceiling that has high light reflection and is noncombustible.

For data on all J-M acoustical ceilings send for free booklet "SOUND CONTROL." Write Johns-Manville, Box 158, New York 16, New York. In Canada: Port Credit, Ontario.

JOHNS-MANVILLE



In Marketing

• • •

Latest "Smoke" Boasts That It's Free From Perils, Taxes—and Tobacco

Bantob Corp. is test marketing the latest product to play on health fears connected with smoking. And the company says the Dayton area is welcoming its Vanguard "smoke," a cigarette-shaped blend of grain fibers.

Vanguard goes far beyond the various de-nicotinized cigarettes. It contains no tobacco at all, though Bantob refuses to divulge what it does contain.

Bantob commissioned an independent research agency to run its product through a rat test. The agency reported no deaths from injecting rats with Vanguard ingredients, while seven out of 10 rats died from an equivalent dosage of filter tip cigarette ingredients.

Bantob has been using local newspapers, radio and TV spots to introduce Vanguard in Dayton. It says frankly that it "has exploited the fear proposition." Its ads proclaim: "Now smoke without fear! Vanguard—a discovery that eliminates the 3 agents in cigarettes linked to cancer and heart diseases." Bantob claims it has encountered "no media resistance to the ads as yet," but admits "we might run into a stone wall when we get into New York."

Bantob can offer the retailer a highly profitable tax angle. Package and product design make Vanguard look like an ordinary cigarette. But because it contains no tobacco, it escapes the heavy federal, state, and local tax load imposed on cigarettes. By selling Vanguard at regular cigarette retail prices, the retailer can realize a kingsize unit profit.

• • •

Three Big Retailers Gang Up To Own Shopping Center Where They'll Compete

Three major Chicago retailers—Carson Pirie Scott & Co., Wieboldt Stores, and Montgomery Ward—have banded together in what they consider a unique plan to build, control, and operate an \$18-million-plus shopping center. The three will be equal owners of the 108-acre center, in Mount Prospect, suburb northeast of the city; and each will erect a full-line department store that will in many cases compete with the others.

About a year ago, Carson's took an option on 80 acres as a solo project. But when it heard that Wieboldt's and Ward's were interested in the area, it proposed a three-way deal. The Randhurst Corp. was formed to develop and operate the center, and 28 more acres were picked up.

As James F. Tobin, president of Wieboldt's explains it, "We wanted a shopping center that would be big enough to be the main shopping area in the community. Centers have gotten to be hedgehopping operations, situated two or three miles from each other, since no store will allow any other to have a market to itself. . . .

MORE NEWS ABOUT MARKETING ON:

- P. 58—Chrysler Realigns Dealers to Gird for 1960 Sales Battle.
- P. 63—Congress Tackles Distribution Bills With "Fair Trade" a Good Bet.
- P. 70—Remington Rand Reorganizes Marketing System for Univac.

What's more, it's less costly to build one big center collectively than if each merchant built a smaller one in the area."

• • •

Teenagers Are Both Spenders and Savers, With Strong Brand Preferences, Survey Finds

That burgeoning crop of war babies has already developed some strong consumer characteristics according to Scholastic Magazines' nationwide survey of 5,000 junior and senior high school children.

They spend money: In senior high, the average is \$7.48 a week for boys, \$4.98 for girls. They save substantial sums, too: \$4.03 for boys, \$1.87 for girls.

The teenagers own impressive amounts of consumer durables; 42.2% of the senior high boys have electric shavers, 39.7% of the girls own portable typewriters. Of greater interest to advertisers, senior high students of both sexes expressed strong brand preferences, much more so than the junior high group.

Teenagers' influence apparently extends to general family purchases. Over 60% of the senior high boys expected to influence their families in the next purchase of a new car. These boys seem to be a "buy American" lot when it comes to car preferences; only 1.2% selected a foreign car as the make they liked best.

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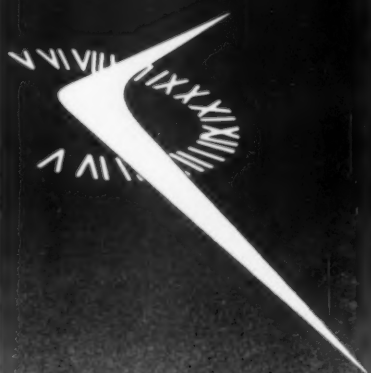
Agency Claims TV Spot Commercials Beat Flesh-and-Blood Salesmen

Spot TV's insatiable appetite for ad dollars has persuaded it to take a bite into sales budgets. The Katz Agency, sales representatives for a number of TV stations, will go on the road this week with a presentation designed to coax managers into supplanting "costly" in-person salesmen with spot TV.

Katz' presentation attempts to personify the spot commercial as a highly desirable substitute for a flesh-and-blood salesman. It claims its personified commercial does some of his best work at night and on weekends, can change territories on quick notice, is welcome in the intimacy of the family living room—and submits accurate expense accounts.

Katz hopes to convince marketing executives that "TV not only advertises—TV sells." It cites Lestoi and Super-Anahist as two products which have been sold successfully almost entirely through spot TV and a minimum of personal selling.

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Chrysler Girds for Battle

● Corporation revamps its marketing setup, hoping for a 1960 reversal of its deteriorating position.

● Main step is the separation of the Dodge and Plymouth franchises, with Dodge taking on the new Dart, and aiming for an eventual third place in the industry.

● It's not certain yet, but the new compact Valiant will probably be handled by Plymouth-De Soto dealers.

Chrysler Corp. has cooked up a new pattern for basic marketing in the rapidly approaching 1960 model year, one the company thinks will go a long way toward salvaging its deteriorated competitive position.

The grand strategy is to separate Dodge and Plymouth dealer franchises. Hitherto, Plymouths have been handled by Dodge dealers, just as they have been by De Soto and Chrysler dealers. Now Dodge and Plymouth become hotly competitive, like the separate dealerships with which General Motors handles its medium-range cars—Buick, Oldsmobile, and Pontiac.

The new Chrysler plan includes:

- Two new cars—(1) the compact economy-type Valiant, and (2) the Dodge Dart, which will compete directly with Chrysler's own Plymouth, as well as with Ford and Chevrolet.

- A major realignment of dealerships that, in the Dodge showrooms, replaces the Plymouth with the Dart. Plymouth and De Soto will sell together, while Chrysler-Imperial dealers will keep their Plymouth franchises for the time being.

- A return to distribution control by each of the car divisions, instead of by Chrysler's central headquarters.

Why Chrysler had to do something fast appears vividly in this year's figures for new car registrations. For the first four months, the corporation's total new registrations were down to 194,512, from 223,246 in the 1958 period; that meant that Chrysler's share of the market had dropped to 10.16% from 14.54%.

In the same stretch, both Ford and GM made sales gains, while the combined sales of American Motors Corp. and Studebaker-Packard came within shooting distance of Chrysler Corp. Part of the trouble lay in production bottlenecks and supplier strikes early in the year, but the fact remains that Chrysler's share of the market has suffered erosion for several years.

- **Big Sector**—In the new sales setup, the biggest gainer is likely to be Dodge Div., now cut loose to take a shot at a sector of the market that Dodge fig-

ures will account for about 73% of industry sales in 1960.

As the plan is spelled out by M. C. Patterson, general manager of Dodge Div., the Dart will have three lines—Seneca, Pioneer, and Phoenix—to compete right across the board with all levels of the "low-priced three," which now become in effect the "low-priced four." The Dart will share major parts with Plymouth, but will have its own styling, different also from the other Dodges. Dodge's own line will be cut to two series:

- **The Matador**, to match low-priced Buicks, Pontiacs, and Edsels.

- **The Polara**, to compete with Pontiac's Star Chief and the Oldsmobile 88.

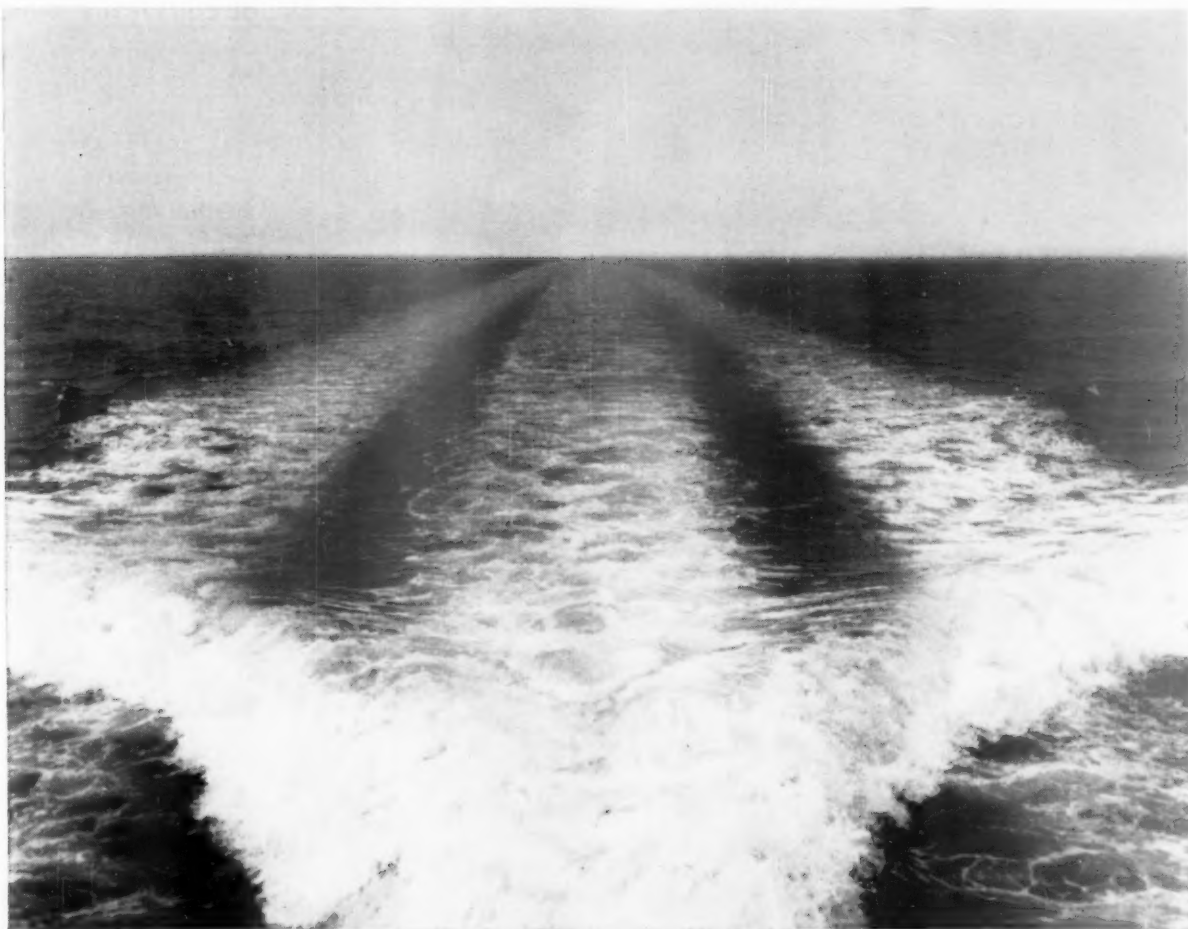
Dodge, plus Dart, hopes to reach fourth or fifth place this year, behind Ford, Chevrolet, Plymouth, and possibly Pontiac or Oldsmobile; within three years, it hopes to take over third place permanently, with a volume of 450,000 to 500,000 cars. Dodge has traditionally been a strong arm of Chrysler Corp., but in the general decline of the mid-price brands, its market share has slipped badly from 8% in 1946 to its present 2.2%.

- **Unusual Year**—Chrysler will be fielding its new lineup in a selling year that promises to be at least unusual. With its two new cars, Chrysler will be bucking entries by Ford and GM in the compact car field, with the probability that by 1961 those two stiff competitors will be marketing two additional compact cars in the medium price range.

Just which of the corporation's dealers will handle the compact Valiant has not been settled. A good guess is that the job will go to Plymouth-De Soto dealers, plus some Chrysler-Imperial dealers. Simca, Chrysler's foreign car entry, will be handled by a scattering of dealers from all divisions.

Even with the Valiant, Plymouth faces an obvious squeeze, and there are mutterings that not everyone at Chrysler is happy about this.

Since its introduction in 1928, Plymouth has always been dualled with other dealerships—at the start some-



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"... Dodge calls it the 'boldest move ever made in the industry' ..."

STORY on page 58

times even with GM and Ford showrooms. Yet old-timers say that it was Plymouth that helped save Chrysler during the Depression, since it quickly brought high-volume sales to the Chrysler dealers.

• **Troubles**—The entire sales structure has been weakened by intracompany competition, as when Plymouth-Dodge and Plymouth-De Soto in the same sales area battled for the same Plymouth customers—a problem that Ford and GM dealers did not have to face. To make it worse, Plymouth management found its dealers—over whom it had no control—trading up customers to the medium-price lines. Despite all this, Plymouth has held third place since 1932, except for 1954-1955-1956 when Buick moved ahead.

Some three years ago there were unsuccessful efforts to uncouple Plymouth from the other dealerships. Now, according to Detroit observers, the rise of the compact car market may give Chrysler the chance to unscramble its marketing setup.

Of course, Plymouth will lose dealers in the process. Dodge—handling Dart instead of dualling with Plymouth—will have some 3,500 dealers, while Plymouth drops from 7,000 to about 4,500 for the time being. But if, as seems probable, these Plymouth-De Soto dealers also get the Valiant to handle, they will receive a notable shot in the arm. And Plymouth's share of the market will get a hefty boost, on paper, if the corporation decides to list Valiant as another Plymouth line.

• **Reaction**—All the same, Plymouth-De Soto faces a real threat from its Dodge sister division, as well as from outsiders. How does Plymouth feel about the prospect of being bumped permanently out of third place? Harry Chesebrough, Plymouth-De Soto general manager, says: "Third place is nice to talk about, but our job is to sell a programed quantity of cars. But we aren't sitting here planning to lose third place, either."

Management at both Dodge and Plymouth is banking on the divorce to bring better sales promotion and advertising concentration for what now amounts to two separate lines of cars. Dodge calls it the "boldest move ever made in the industry." It is telling its dealers that it is happy to be on its own. And Plymouth, with a big range of cars for its shrunken dealer group, for the first time has control of its own sales tactics. **END**

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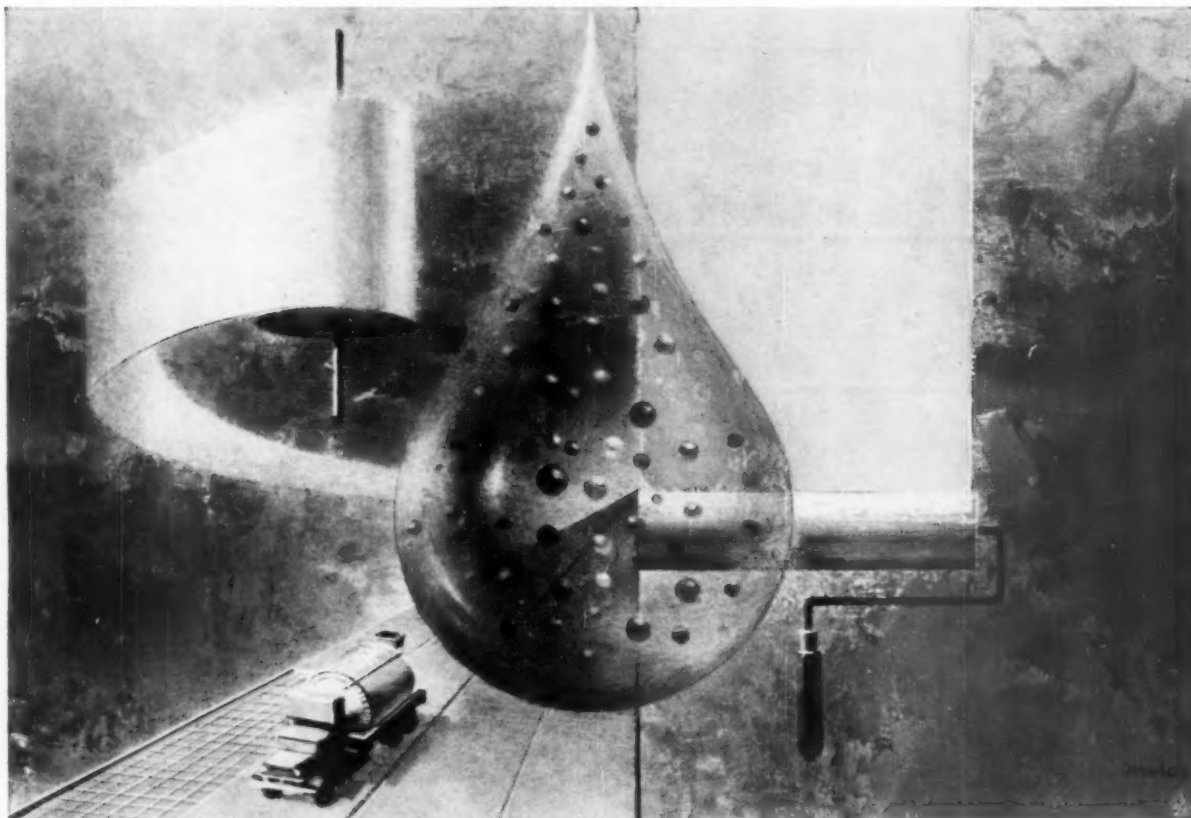
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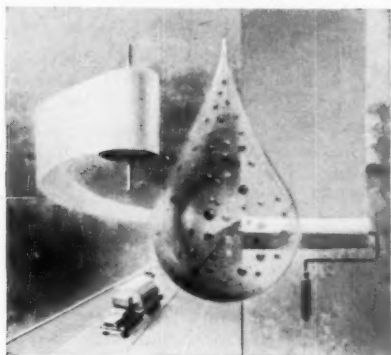
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"Fair Trade" Comeback

● Bill for resale price maintenance has a good chance to get through Congress, perhaps at this session.

● It's backed by a powerful lobby and its foes are disorganized. But the Administration is against it and a veto is quite possible.

● For a sizable batch of other measures regulating marketing and pricing there's little chance, at least for now.

Among a welter of proposals to regulate marketing, pricing, and specific trade practices, a national resale price maintenance bill this week emerged as the only serious contender for enactment as this session of Congress turned into its final crucial weeks.

Thanks to the efficient and practiced hands of its main supporters, the "fair trade" bill is moving swiftly toward a floor vote in both House and Senate before adjournment—with chances better than many would have conceded possible early in the year.

• **By the Wayside**—Other proposals affecting distribution which have kept Congress busy aren't likely to survive or are certain to be carried over to the next session.

Here's a rundown on the major items and their standing:

Price notification—Little chance is given for Sen. O'Mahoney's bill to require companies in concentrated industries to go through federal hearings every time they want to boost prices. Sen. Kefauver's hearings on administered prices continue on bread, may move into drugs.

"Good faith" prices cuts—Opposition by a few key Republicans has kept this proposal in the Senate Judiciary Committee. It would limit a seller's right to cut prices to meet competition.

Territorial security—Designed specifically for automobile dealers and manufacturers, this proposal would allow auto makers to allocate territories to dealers with the right to discourage sales outside their own geographic areas (BW-Jul. 4 '59, p96). Despite the strong influence of dealers, the bill will have to wait until next year.

Wholesaler discounts—Hearings have been held on a bill to require manufacturers to give wholesalers a bigger discount than they give to large retail chains, but the bill will not get anywhere.

Dual distribution—This bill is designed to protect independent retailers from price competition by a manufacturer who also does retailing of his own;

the measure is unlikely to gain much support. It would make it illegal for a manufacturer to sell to his own retail outlets at lower prices than he charges independent retailers.

Though none of this distribution legislation has gathered enough steam to get action in this session, passage of the national "fair trade" bill alone would mark this Congress as notable in the field.

• **Complicated Bill**—The proposed bill, sponsored in the House by Rep. Oren Harris (D-Ark.) and in the Senate by Hubert Humphrey (D-Minn.) and William Proxmire (D-Wis.), is complicated and raises many difficult problems that cannot be answered unless the bill is on the books and being applied.

The purpose is simple:

To allow manufacturers of trademarked, brand-name goods to establish minimum resale prices and to enforce those minimums against any price-cutter regardless of state laws on the subject.

Fair trading has been on the downgrade in recent years, largely as a result of increasing numbers of state court decisions throwing out state fair trade laws and the rise of price-cutting retail discount houses.

• **Flawed Law**—Fair traders, led by the National Assn. of Retail Druggists, won their major victory in 1937, after a long struggle, with the passage of the Miller-Tydings Act. A flaw in that act was overcome in 1952 when the McGuire Act was passed. In essence that permitted manufacturers to use a nonsigner clause to enforce minimum prices throughout any state, if state law permitted such action. The nonsigner clause merely meant that if a manufacturer could get one retailer to agree to price maintenance all others in the state were required to follow suit, whether they signed or not.

The burden of enforcement was on the manufacturers, some of whom found themselves spending hundreds of thousands of dollars a year to bring action against price-cutters. That, plus the action of key states whose courts declared

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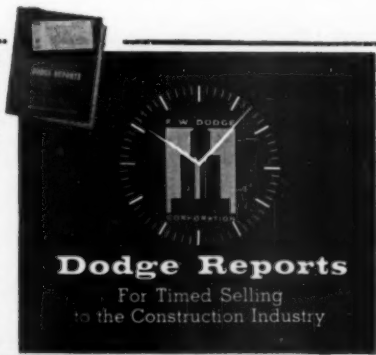
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fair trade unconstitutional, finally pulled fair trade down. Companies such as General Electric and Sunbeam, both major fair traders, abandoned the practice for all practical purposes.

• **Giving Notice**—The new bill presumably would overcome the shortcomings of the past. Manufacturers would have the right—based on the idea that they are protecting their investment and proprietary interest in a brand-name—to establish minimum prices across the nation by simply notifying the trade that such prices had been fixed.

Still unclear is (1) what form that notification would have to take, and (2) whether the government would be required to enforce the law.

Opponents call the whole scheme a "price-fixing" device aimed at protecting retailers from price competition at the expense of the consuming public. But the fair trade bill has the big advantage of strong proponents and little organized opposition. Discount houses oppose the bill as do critics such as Rep. Emanuel Celler (D-N. Y.) and Rep. John Dingell (D-Mich.). Economists often express opposition. And the Administration is dead set against the bill.

Political Aspect—Politically, backers of national fair trade think they have the odds on their side. It is one thing to attack big business for being too concentrated or to proclaim generally against "inflationary price increases." But it is quite another thing to say no when little businessmen—backed by a well financed and well directed and telling lobby—plead for fair trade to save them from price-cutting chains and discount houses. For one thing, the retailers' ranks are made up of voters, whereas the big corporations are voteless.

When you add the voices of many brand-name manufacturers, who say their sales and expensively advertised trade names are being seriously damaged by the price-cutters, congressmen as a matter of practical politics find it difficult to vote the other way.

Actually, many members of Congress would prefer to let matters stay as they are—with states having the final say about fair trade. But all are being pressed hard by small-business-minded colleagues and by retailers back home to "do something for the little guy."

Hence, fair traders again are confident of victory. They expect a whopping majority—something like 2-1—and they still hope the Senate can take up the bill before adjournment. Their plans are based on this timing, but they will not consider it a setback even if they have to wait until next session for Senate action.

• **More Hearings**—The Senate timetable is getting close. A subcommittee is still scheduling more hearings for

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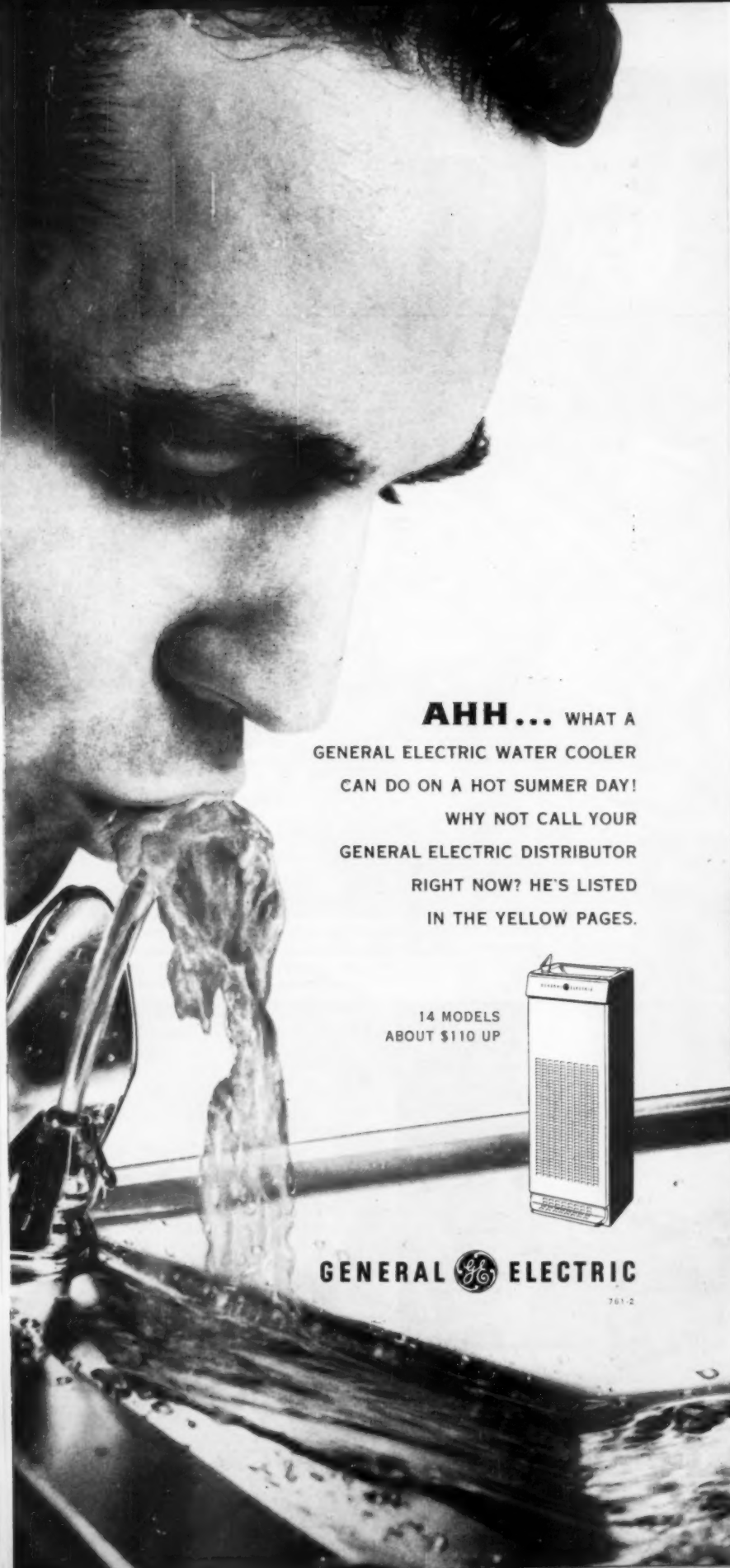


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next week, so the bill must clear subcommittee, full committee, and get on the calendar—all in the next two months.

In the House—where the bill went through a Rules Committee hearing this week—a vote could come early in August. The fatter the majority there, the better are the chances for action in the Senate this session.

Once past the Congressional hurdles, however, the fair traders face a different sort of trouble: A presidential veto is not unlikely. Administration testimony against the bill—led by the Justice Dept.'s antitrusters—raised serious questions about the constitutionality of the proposed law, as well as other more technical objections that could be used to invoke a veto.

• **Antitrust Argument**—The government argues that fair trade is a contradiction of basic antitrust philosophy common to both major political parties: the idea that every seller has the right to set his own price, free of control by someone else.

To some, fair trade seems a contradictory proposal at a time when both Congress and the Justice Dept. are engaged in new examinations of the pricing power of big business and when inflation ills and cures are being popularized.

Yet fair trade has survived this kind of logic before and a bill that started out quietly in this session of Congress now seems headed for at least a half-way victory with good chances for total victory in the long run.



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Univac Shakeup

Remington Rand starts major reorganization in drive to capture larger share of electronic data processing.

Remington Rand, a division of the Sperry Rand Corp., this week announced the first steps in what will eventually be a major reorganization of the Univac division. Its object: a bigger share of the growing and increasingly competitive electronic data processing market.

Jay W. Schnackel, who takes over as vice-president and general manager of Univac, unveiled changes in the company's computer division that will give it a network of regional and branch sales offices. Prior to this, Univac's 45 offices around the country reported directly to headquarters in New York.

Under the new organization, four regional managers in New York, Chicago, Atlanta, and Los Angeles will have authority and responsibility for all sales and services in their territories. Reporting to them will be branch sales managers in other key cities, with district offices in smaller cities. In addition, there will be application managers who are specialists in various industries such as insurance, transportation, banking. Separate managers have been set up for federal government and scientific business.

• **The Goals**—The new regionalized marketing scheme, says Schnackel, is aimed at concentrating Univac sales efforts in the field and pinpointing responsibility both for original equipment sales and customer service. Additional field men are being taken on with top jobs filled by promotion from within Univac's ranks.

The reorganization, as it gets under way, is being directed by Schnackel and D. L. Bibby, executive vice-president of the Remington Rand Div. under Pres. Kenneth R. Herman.

Both Schnackel and Bibby are former International Business Machines executives. Bibby left IBM in 1956 as a vice-president to become executive vice-president of Daystrom, Inc. He joined Rem-Rand last April. Schnackel, whose appointment was announced this week, had been vice-president for manufacturing services of IBM since 1956.

• **Solid-State**—The marketing shift fits in with Univac's plans for promoting its new solid-state computing system, the first delivery of which was made in June. This system, Rem-Rand says, is aimed at the market for electronic data processing at a rental of under \$7,000 a month. **END**

Look what's better now...

because of Du Pont ZYTEL®

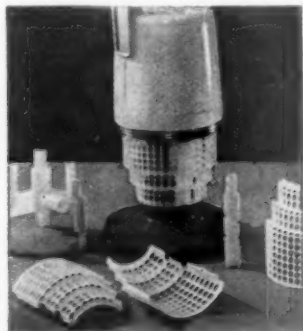
NYLON RESINS

Sometimes the use of ZYTEL can revolutionize an industry. This happened recently in the case of pattern chains for weaving machines where the light weight, strength and cleanliness of ZYTEL suddenly made metallic chains obsolete. Now ZYTEL brings a revolutionary new development to the firearms industry.

The new stocks are colorable, richly detailed, one-fifth the weight of wooden stocks. The form stability of ZYTEL permits precise mounting of the barrel assembly for match-rifle accuracy. These big components are injection-molded in giant, new molding machines. The parts are mass-produced at high rates to finish tolerances. These attractive gunstocks save costs with substantial improvements in quality.

This shows you how the use of ZYTEL can represent a breakthrough on all fronts, including the major one of cost. Re-examine your products in the light of this experience. Can ZYTEL help you? We're ready to aid you with design, processing and technical data. Write today and tell us your problem. E. I. du Pont de Nemours & Co. (Inc.), Advertising Department, Room Z-9711, Nemours Building, Wilmington 98, Delaware.

In Canada: Du Pont of Canada Ltd., P. O. Box 660, Montreal, Quebec.



PORTABLE WASHING MACHINE uses complex moldings of ZYTEL for light weight and resistance to corrosion. ZYTEL nylon resins are strong in thin sections . . . parts are guaranteed by AMI for five years. (Molded by Michigan Plastics Products, Grand Haven, Michigan, for AMI, Incorporated, Grand Rapids, Mich.)



NYLON HANDLES on this new kitchen-tool set are unbreakable in normal use. These attractive, rivetless handles of ZYTEL are custom-colored . . . designed to fit the hand perfectly. Soaps and detergents can't harm them. They're boil-proof, too. (By Maynard Manufacturing Company, Glendale, California.)

Watch the "Du Pont Show of the Month"—90 minutes of the best in live television—CBS Network

POLYCHEMICALS DEPARTMENT



BETTER THINGS FOR BETTER LIVING . . . THROUGH CHEMISTRY



NEW REMINGTON 22 is the first rifle with a gunstock of structural-nylon. Made of Du Pont ZYTEL, the stock is extremely strong, light in weight and durable under all field conditions. Colorability of ZYTEL ushers in a new era in stock design. (Nylon 66 autoloading 22 rifle by Remington Arms Company, Inc., Bridgeport 2, Connecticut.)



LIFE'S DARKEST MOMENT—Next time you can be sure he'll buy enough beer for the week end. Packaging makes refreshing beers available everywhere, in convenient take-home cans, bottles, cartons and multi-packs. If you distribute beer or ale, remember . . .

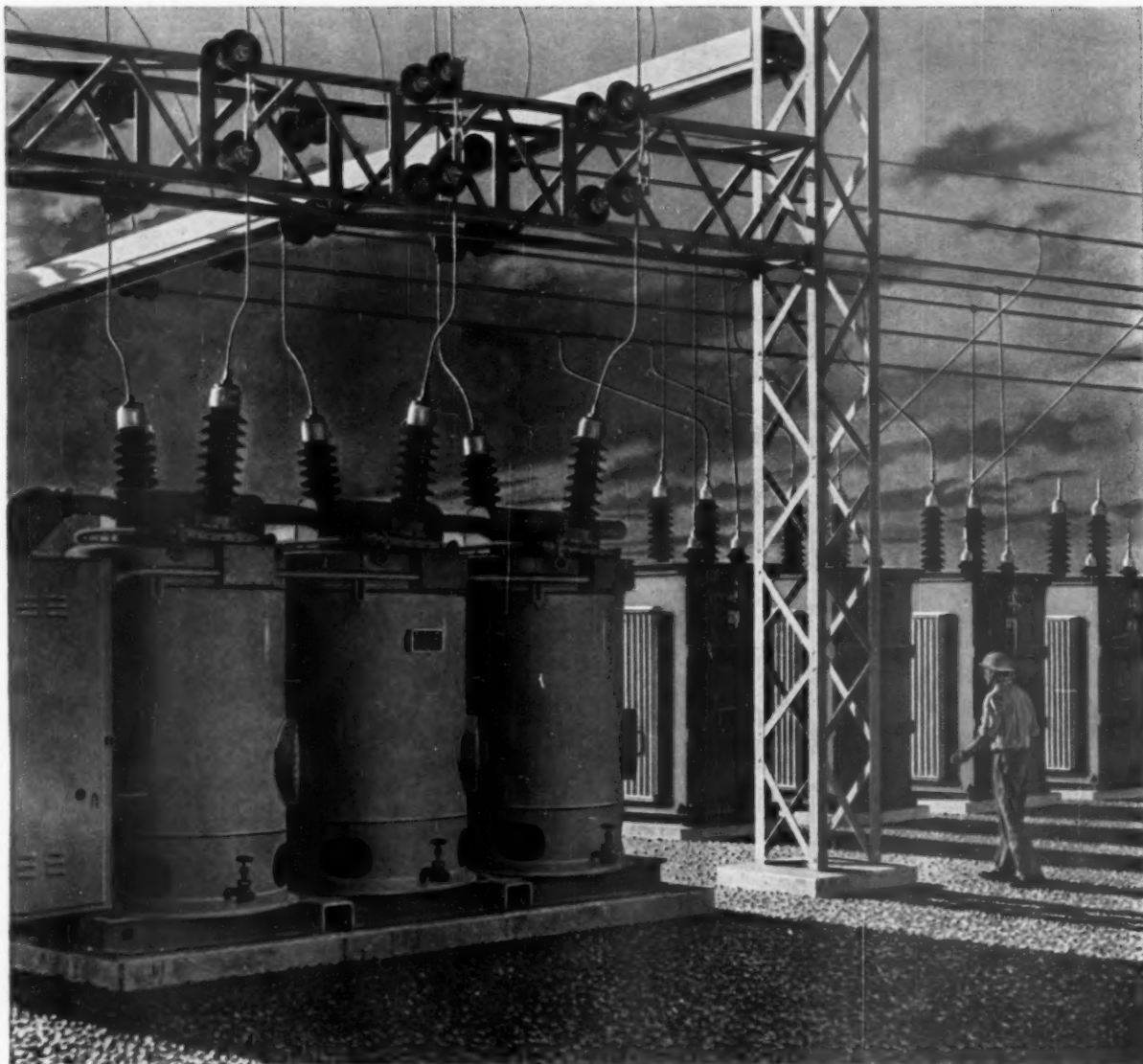
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A typical I-T-E distribution substation, as painted by artist Ned Seidler. Oil circuit breakers are at left, transformers at right. Disconnect switches are mounted on overhead structure.

FROM HERE ON, ELECTRICITY'S FOR LIVING

Big, mysterious and silent, electrical substations such as this serve practically every man, woman and child in America. They take raw power . . . sometimes several hundred thousand volts . . . and step it down to local distribution levels. Then it becomes the light you read by, the heat you cook by, the power you work by. And all the time, they keep a constant watch against threats of interruption. In case of overload, circuit breakers open instantly, preventing damage that might deprive you of electricity for days. Designing and building the structures, switches, transformers and large oil circuit breakers that make up a substation is part of I-T-E's service to the nation.

In addition, a broad line of other I-T-E equipment helps in countless ways to make electricity more useful and dependable. Users report its consistently superior performance based on higher quality. Yet it costs no more.

Divisions: • Switchgear • Small Air Circuit Breaker • Transformer & Rectifier • Special Products • Greensburg • BullDog Electric Products • Victor Insulators • Kelman Power Circuit Breaker. Subsidiaries: The Chase-Shawmut Co. • Walker Electrical Co. • Wilson Electrical Equipment Co. • In Canada: BullDog Electric Products Co. Ltd. • Eastern Power Devices Ltd. • Canadian Porcelain Co. Ltd.



I-T-E CIRCUIT BREAKER COMPANY

In Finance

. . .

New York's Mutual Savings Banks Quit ABA Over Tax Bill Support

The simmering feud between commercial banks and mutual savings banks over "tax equality" erupted this week. The Savings Bank Assn. of the State of New York resigned from the American Bankers Assn. because ABA has endorsed a bill before Congress which would increase federal income taxes on savings banks and savings and loan associations.

At the same time, the National Assn. of Mutual Savings Banks withdrew its request that its members remain in the ABA. Individual members can now stay or quit as they choose, and it appears that a good number of New York savings banks, at least, may leave or allow their membership to lapse.

The immediate cause of the flareup is a bill, introduced by Rep. Noah Mason (R-Ill.) that would tend to equalize tax treatment of bad debt reserves and limit tax deductions by mutual banks for payments of interest and dividends.

At present, the mutuals are allowed to set up, out of earnings, a reserve equal to 12% of deposits before they become liable for the regular 52% corporate tax. Commercial banks are allowed a tax-free bad-debt reserve of 3%—the figure varies based on the individual bank's 20-year loss experience record.

The new formula would allow commercial banks to set up annually a pre-tax debt reserve of $\frac{1}{2}$ of 1% of non-guaranteed loans, until the bad debt reserve amounts to 5%. The bill also would limit mutuals to deducting for dividends and interest an amount equal to the average percentage of net income—earnings after allowable deductions, but before dividends—actually paid out during the preceding 10 years. Commercial banks would continue to deduct all interest paid.

. . .

Arvida Offers Interest-Free Loan To Get Florida Turnpike Access

Arvida Corp., which started life as a consolidation of some of Arthur Vining Davis' Florida land holdings, has taken a novel step to strengthen itself. It has offered to put up \$300,000 to \$350,000, interest free, for construction of a new 210-mi. interchange on the Florida Turnpike at Boca Raton. In addition, Arvida has agreed to underwrite the operating cost of the toll booths for the Florida Turnpike Authority. Arvida will pay the difference between the tolls collected and the cost of running the booths, which is estimated at \$25,000 a year.

The FTA will decide this month whether to accept Arvida's bid, but chances are it will approve. Thomas N. Manuel, FTA chairman, said that "We think it's a golden opportunity. For us to do the same thing on our own, we'd have to pay 4% interest at least, possibly 5% in today's market."

MORE NEWS ABOUT FINANCE ON:

- P. 65—Allstate Insurance Looks to New Fields for Growth.

Arvida's motive is frankly selfish, admits Milton N. Weir, its president. Boca Raton is a pivotal point of Arvida's operations in Dade, Broward, and Palm Beach Counties, in which it has some 100,000 acres of land. At present the FTA has no plans to construct an interchange at Boca Raton: It doesn't think the traffic warrants it. But Arvida wants increased traffic so it can sell the homes it plans to build in the region.

. . .

California S&Ls Urged To Hold The Line at 4% Interest Rate

Strong dissents from the current trend toward higher savings rates were heard this week from J. Alston Adams, president of the Federal Home Loan Bank in San Francisco, and Frank Mackin, California Savings & Loan Commissioner. Adams and Mackin asked S&L officials assembled at a special Los Angeles meeting to hold the line at 4% on dividends paid to savers.

Adams and Mackin protested that "S&Ls are paying the highest rate consistent with safety of any major savings medium. Any consideration of an increase at the present time has absolutely no justification."

Thus far, the plea appears to be falling on open ears. Executives from several important California S&Ls said they would hold the line but some have jumped to 4½%. Moreover, institutions all over the country are hiking savings rates, and California S&Ls will have to withstand strong pressure from shareholders if they try to put a ceiling on dividends.

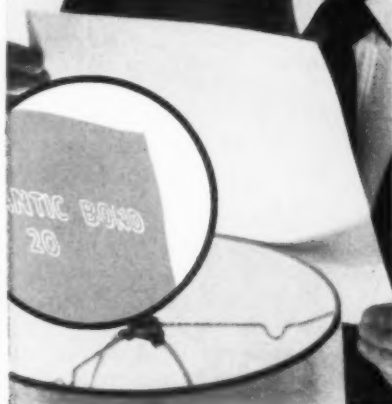
. . .

Finance Briefs

Rising money rates have given first-half operating earnings of New York's money market banks a big lift. Overall, their earnings were up about 8% over the comparable 1958 period. Chase Manhattan, which was second largest in the nation in deposits and assets on June 30, posted a 4.7% increase in net operating earnings, from \$2.14 per share to \$2.24 per share; First National City Bank, third largest, showed an increase of 6% in earnings. Outside New York, banks did as well or better. California's giant Bank of America showed a first-half net of \$40.1-million, which is equal to \$1.57 per share, 8% over 1958's \$1.45 per share.

Chicago & North Western Ry. this week won approval from its first and second mortgage bondholders to change the provisions of a sinking fund formula that company officials had characterized as hampering growth (BW—May 16 '59, p128). In effect, the change will greatly reduce payments made into a special debt retirement fund, bolster earnings, and set the stage for possible common stock dividends, which have not been paid since 1950.

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TWO CHIEFS, Pres. Judson B. Branch (left) of Allstate and Pres. Charles H. Kellstadt of Sears, Roebuck & Co. talk in front of an Allstate booth in a large Sears store.

Allstate Insurance: P

The nation's No. 2 auto insurance company looks for its growth potential in other, newer types of coverage.

It's the boast of Sears, Roebuck & Co. that it sells practically everything under the sun. And this boast is taken seriously by Sears' biggest subsidiary, its wholly owned Allstate Insurance Co. In Sears stores and in door-to-door selling Allstate is launched on an expansion program in which it will eventually offer to insure practically everything.

Until lately, Allstate concentrated on auto insurance. Its concepts of mass merchandising and mass processing in this business stirred up the selling, rate-making, and paperwork practices—and sometimes the indignation—of the old-line companies.

Through hard selling and undercutting of rates, Allstate pushed its way to second place in auto insurance, topped only by State Farm Mutual Au-

tomobile Insurance Co. More than 90% of Allstate's volume of premiums comes from passenger car insurance. But Pres. Judson B. Branch (cover and above) sees greater growth opportunity elsewhere, so Allstate is turning itself into a full-fledged multi-line insurance company.

• **Spreading Out**—Allstate already offers most types of commercial and personal liability insurance, fire and theft coverage, homeowners' policies, small boat insurance, accident and sickness protection, and life insurance. These lines it wants to develop.

Among the most promising for gains in volume is the commercial field, where the company can sell big-premium policies to businesses rather than relatively small ones to individuals.

This week, Branch and other top managers are deep in negotiations with Markel, Inc., of Richmond, Va., which provides specialized engineering and safety services for the trucking industry, for part of the long-haul truck insurance that Markel places with its affiliate.



DRIVE-IN CLAIM SETTLEMENT is popular feature of Allstate service. William Gee, Allstate appraiser (left), inspects car of John R. Barnhorst, who was in an accident a few hours earlier. Within 45 min., Barnhorst had a voucher for \$141.59 to repair damage.

e: Playing the Field From Now On

American Fidelity & Casualty Co. This deal could make Allstate one of the largest writers of this type of insurance, give it a firm beachhead in the commercial market.

Markel acts as sole agent for AF&C (in which it has a 28% interest, directly or indirectly), and the combination of Markel services and AF&C insurance has appealed to many truckers. However, AF&C has run into problems, including heavy underwriting losses in truck insurance, and it has had to reduce its volume of business; only a couple of weeks ago, it allowed its New York State license to lapse. Obviously, Allstate thinks it can turn the operation to a profit through its management methods and cutting of overhead.

• **Commercial Market**—In developing newer insurance lines, especially the commercial market, Allstate is out to surpass its previous growth. That will take a bit of doing—premiums grew from only \$16-million in 1946 to \$376-million last year.

Allstate men talk seriously of the day

when their company's assets, now \$588-million, may top those of Sears itself. However, Charles H. Kellstadt, Sears' president (cover and above), points out that Sears' assets already exceed \$2-billion and are climbing steadily. If Allstate could catch up, it could be one of the largest stock insurance companies, although Travelers Insurance Co., the biggest of the group in premium volume, had assets of \$3-billion last year and Aetna Life, largest in terms of assets, had \$3.5-billion.

Allstate executives think there is really room for improvement in the commercial market. Commercial premiums are now less than 5% of Allstate's total. One enthusiastic officer predicts they will eventually make up 50%. Branch sets a more conservative goal: "For the present, 10% is a more realistic target."

I. Autos Lose Shine

Allstate's growth has been tied closely to its gains in the passenger car insur-

ance market, as the breakdown of its premium volume shows. This market has grown hugely. The number of cars on the road has soared from 28-million in 1946 to more than 57-million today. Moreover, all states except Massachusetts, which has compulsory insurance, have passed financial responsibility laws that penalize uninsured car owners.

• **Heavy Losses**—Total volume of auto insurance premiums written by all stock and mutual companies has risen from \$1.2-billion in 1946 to more than \$3.7-billion last year. This expansion of premiums looks gaudier than it is. According to one insurance industry estimate, losses on auto insurance since 1946 have aggregated about \$500-million.

Allstate suffered along with the rest of the industry. In 1956, it lost \$12.6-million on auto personal injury insurance; in 1957, it lost \$9.9-million; last year, \$6.4-million.

• **But Profitable**—Even so, Allstate has managed to remain profitable all through this stormy postwar period. It has offset its losses from auto personal

TAX EXEMPT BONDS

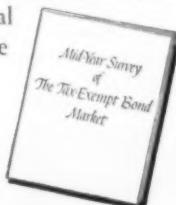
*The market
at mid-year 1959*

Not in a quarter of a century has the investor seen take-home income from top grade tax-exempt bonds to match that available in the first half of 1959.

Our timely Mid-Year Survey of the Tax-Exempt Bond Market brings you up to date on this and other important developments, discusses supply and demand and interprets the trends and outlook for prices. It presents background information valuable to both the new investor and the seasoned individual or institutional buyer.

Send without cost or obligation for this helpful survey. You will receive in addition our tax comparison chart which shows the income required from taxable investments to equal the take-home yield from tax-exempt bonds.

Ask for
folder BJ97.



HALSEY, STUART & CO. INC.

123 SOUTH LA SALLE STREET, CHICAGO 90
35 WALL STREET, NEW YORK 5
AND OTHER PRINCIPAL CITIES

injury insurance by its profits on collision coverage, its leading money-earner. Because it sets rates independently, it has been able to win rate increases more quickly than the National Bureau of Casualty Underwriters, which sets rates for more than 200 stock companies and must work out some sort of agreement among them.

Besides, Allstate has profited from a more aggressive policy of investment than most insurance companies, including in its portfolio more stocks with unusual growth opportunities.

More important, Allstate and the other companies that use mass merchandising and mass processing of policies—notably State Farm Mutual and Nationwide Mutual Insurance Co.—have cut their overhead costs per unit by steadily enlarging their share of the auto market. Twenty years ago they had only 10%; last year, about 25%.

II. Up From Nothing

Credit for the idea that Sears could do well in the insurance business is given to Carl L. Odell, an insurance broker who was, 30 years ago, a commuter train companion of Gen. Robert E. Wood, then president of Sears. Odell suggested to Wood that salesmen's commissions made up far too large a part of insurance costs, that direct-mail selling—Sears' forte—could greatly reduce costs, hence prices.

When he made a formal proposal, Sears' board of directors approved a trial of his idea. In April, 1931, Allstate opened for business with a 20-man staff operating in the Sears home office in Chicago. Odell was vice-president and general manager; Sears officials held other executive posts. In the first year, Allstate took in \$118,000 in premiums, largely through a sales pitch in Sears' regular mail-order catalog.

Through the depression years, premium volume rose slowly but steadily. In 1936, premium volume was up to \$1.8-million; in 1941, premiums came to \$6.8-million, with more than 189,000 policies in force.

• **First Shift**—The first important turn in Allstate's progress came in 1934, midway through the depression, when the company ventured away from mail-order selling toward the system of sales agents that predominates today.

In that year, Allstate bought, at a court-directed sale, the right to reinsure the business of National Life Insurance Co., which was bankrupt. Allstate renamed it the Hercules Life Insurance Co., but its business remained bad and losses finally forced Sears to sell the company in 1938.

The lasting effect of this venture was Allstate's first sales force, built around the group that came with National Life. Branch himself was one of this group;

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Dividend Announcement

Massachusetts Investors Trust

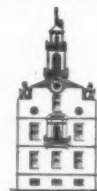
DECLARES ITS

139th Consecutive Dividend

10 cents a share,
from net income,
payable July 27
to shareholders of
record June 30,
1959.

ROBERT W. LADD,
Secretary

200 Berkeley Street, Boston



UNMATCHED

Advertisers have placed more pages of business and industrial advertising in Business Week than in any competing magazine for 21 consecutive years.

RCA'S FIRST NAME IS 'RADIO'



The Dispatcher Looks at RCA 2-Way Radio and Sees Drivers at His Fingertips!

The convenience of 2-way radio is appreciated by everyone who uses it—especially by the truck dispatcher! When he looks at radio he sees his drivers at his fingertips—ready to do his bidding at an instant's notice! He's as close to everyone of them as if he were seated alongside of them. With radio he sees them filling orders promptly, making calls without backtracking or deadheading, reducing time per call and adding more stops each day.

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RCA... world leader in radio and electronics offers you quality communications systems to meet every requirement. Advanced engineering means greatest satisfaction, lowest maintenance. Expert service by RCA's own service technicians assures peak performance.

VIRTUALLY EVERY BUSINESS MAY NOW USE 2-WAY RADIO. Find out how RCA 2-Way Radio can be of maximum service in the frequencies now available through new FCC regulations. Mail coupon for complete information.

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Everybody's using 2-Way Radio!

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- ☐ Please send me **FREE** literature on RCA 2-Way Radio and its applications in my business.
- ☐ Have RCA Communications Specialist call to explain how we can get on the air.

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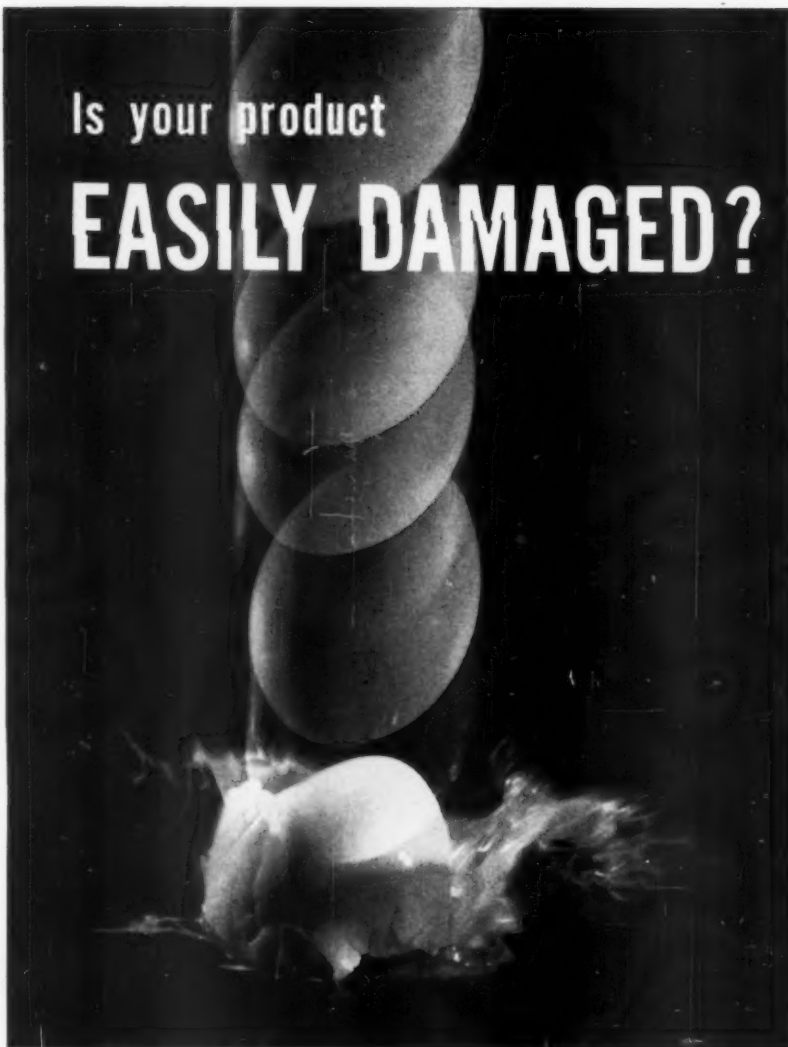
COMPANY _____

TYPE OF BUSINESS _____

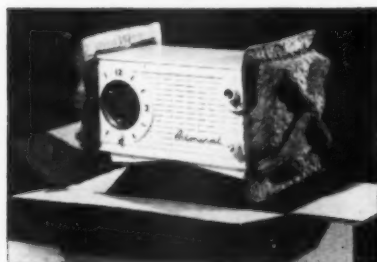
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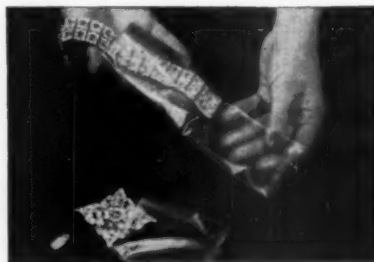
Is your product EASILY DAMAGED?



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"FLOAT" YOUR APPLIANCES, FRAGILE INSTRUMENTS, etc., in Bemis Tekmold Protective Packaging, the molded shipping forms that cushion safely from *all* directions. Economical? Example: A radio maker switched from two corrugated inserts and cabinet wrap costing 20¢ to Tekmold end caps and wrap costing 10.6¢; saving—9.4¢.



SCRATCHES... OUCH! A big wholesale jewelry firm was hurt by the heavy returns of costume pieces scratched in shipment. The cure: Package the jewelry in tough, economical Bemis Polyethylene Bags, with see-through advantages. Says the jeweler: "Returns now nonexistent." Typical of Bemis flexible, protective packaging.

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SALESMAN Norman T. Wall, right, takes an auto liability policy application from John P. Egan, customer of Sears store.

he was the second salesman ever hired by Allstate. Because the new salesmen needed a convenient base of operations, the purchase led to the first installation of an Allstate booth in a Sears store.

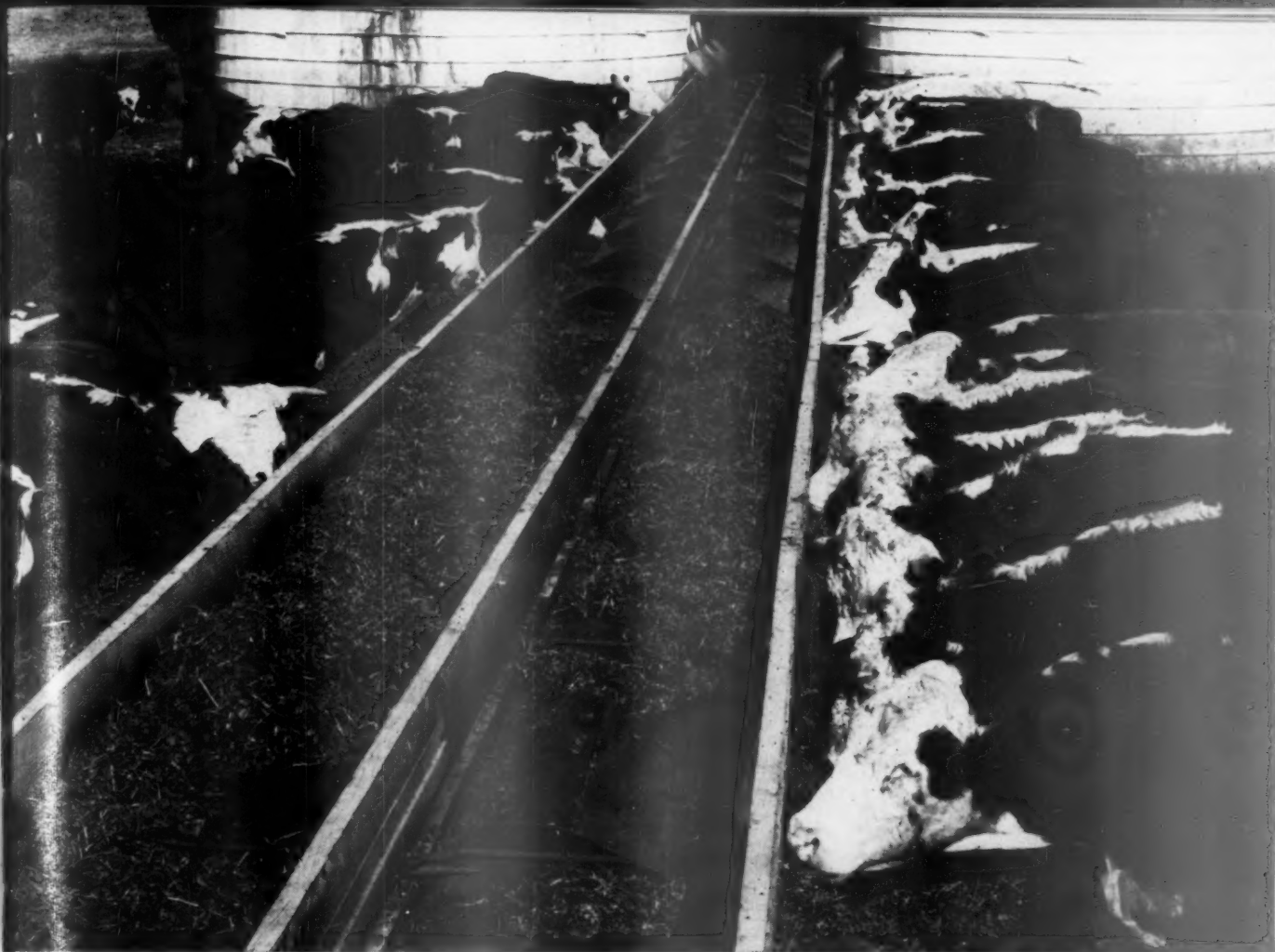
• **Over the Counter**—From the beginning, the new salesmen were employed directly by Allstate and sold only Allstate insurance, and the idea of selling insurance over the counter caught on. Today, the Allstate booth in a Sears store symbolizes the company to millions of people, despite the fact that Allstate agents now spend more time in door-to-door selling and in district service offices than behind the counter.

This system of selling was, and is, an innovation in the casualty insurance business, where most agents are independent contractors who often represent as many as 30 companies.

• **More Lines**—In its formative years, Allstate restricted itself to various kinds of auto insurance. After the war, though, it began expanding from its secure position high in the ranks of auto insurers. In 1952, it added personal liability coverage; in 1954, fire insurance; in 1957, life and commercial fire insurance; last year, commercial liability, accident and sickness, and small boat insurance.

The collision coverage in Allstate's auto insurance remains the company's top earner. On this coverage, with premium volume of \$62.3-million or 16.6% of total premium volume, Allstate last year had an underwriting profit of \$14.9-million. That's 86% of total underwriting profit "before policyholder dividends" (as Allstate has to figure in order to conform with the regulations in Texas, where the only way to charge less than state-fixed rates is to make this kind of rebate).

Some of the newer lines promise to



Fattening beef on a motorized dinner table

This motor-driven silage conveyor is used to feed 250 head of cattle on a midwestern farm. Silage drops from storage and is carried by conveyor to troughs. Makes it possible to feed herd in 30 minutes.

Equipment like this has enabled American farmers to increase output per man hour almost 100% in the last 15 years. This productivity will have to more than double in the next 15 years to feed the U.S. 1975 population of 217,000,000.

Dependable electric motors help make this surge in farm out-

put possible. Century Electric motors provide efficient power for feed grinders, grain elevators, milk coolers, hay dryers and other farm materials handling equipment.

This is just one of many industries where Century Electric application engineers have years of experience solving motor drive problems. They can help you find the answer to your motor drive needs from the more than 10,000 types Century makes. Century Electric designs, manufactures and applies motors and nothing but motors . . . your assurance of getting *more* than just a motor.



Dependable power for cattle feed conveyor comes from Century Electric motors like this.

CENTURY ELECTRIC COMPANY

St. Louis 3, Missouri Offices and Stock Points in Principal Cities

Century
59-14

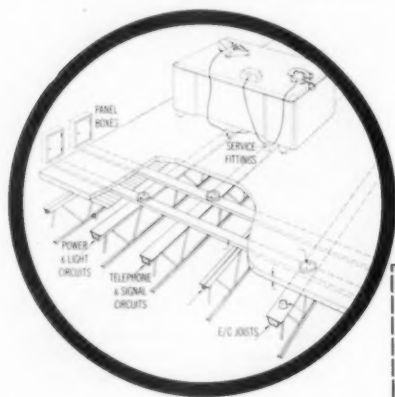
Typical Electro-Channel Joist installation: New York Telephone Co. building, Utica, N. Y.
Architect: Frank C. Delle Cese, General Contractor: McKay Construction Co. Electrical Contractor: Keller Electric Co.



*Now any building
"can afford"
underfloor
electrification*

**Ceco's Electro-Channel Steel Joists
provide economical electrical raceways
by making one product do the job of two**

So you're planning a building—low budget . . . medium sized . . . or large structure. You want electrical outlets in the floors so business machines, telephones and supplementary lighting can be moved and reconnected without the costly work of tear-



Electrical, telephone and signal wires can be run from panel boxes into the electrical raceways of the E/C Joist and up through service fittings to desks located anywhere on the floor. When desks are moved, fittings can be placed along the joists to service new positions. Patents applied for.

ing up floors to reach the wiring. But you think such electrical flexibility is too costly. Not any more. There's a way you can prevent electrical obsolescence and still have low-cost construction. The answer is Ceco's Electro-Channel Joist—a product that does two jobs: 1—provides raceways for underfloor electrification; 2—carries the floor load. That's why Electro-Channel Joist systems cost half as much as other quality systems. Get the facts today. Mail the coupon below. Ceco Steel Products Corporation. Sales offices, warehouses and fabricating plants in principal cities. General offices: 5601 West 26th St., Chicago 50, Ill.

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☐ If student, check here for special data.

BW



ANSWERING a policyholder's inquiry, girl on phone can signal policy number to file clerk, have customer's file within a minute.

be equally profitable as business grows. Fire insurance, for example, brought in only 1.4% of total premium volume last year but 6.1% of underwriting profits; liability coverage other than auto accounted for about 1% of premium volume but 5% of underwriting profit.

III. Cutting Costs, Rates

Low premium rates and efficient selling are the cornerstones of Allstate. The direct agent system and the savings in overhead through mass volume have brought Allstate auto premiums nearly 20% below those set by the National Bureau, with variations according to locality.

Allstate and other independents who sell through their own agents have advantages over the Bureau companies:

- They centralize paperwork, thus reduce unit costs and pass the savings along to policyholders. Allstate is still working for even greater efficiency. It revamped office procedures in 1956-58 to cut overtime costs by over 70%; this saving contributed to a 6.3% reduction last year in unit cost per policy.

- Agents don't have to file half a dozen or a dozen reports to different companies, so they can devote more time to productive selling. Their volume tends to be higher, so the commission per unit can be reduced without hurting the agent unduly. Moreover, Allstate's agents get many advantages of Sears employment—paid vacations, a part in the profit-sharing plan, and other fringe benefits—that make up for a shading of the unit commission.

- Independent companies are more flexible in setting rates according to each company's experience—they don't have to wait for industrywide acceptance of a trend. Allstate led the



The Impala 2-Door Sport Coupe with Body by Fisher.

*Unless owning costly cars
is your hobby, there's no earthly reason to pay more*

Nowadays, buying a high-priced car — or any priced car other than a Chevy — is downright whimsical. For even the most expensive makes have no fresher styling, no gentler ride, no more responsive performance than you'll find in this new Chevrolet. And with these advantages Chevy combines those familiar virtues — economy and dependability — that have always been its stock in trade.

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Slimline design—style that's fresh, fine and fashionable.

Roomier Body by Fisher—new in everything but its famous soundness.

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Sweeping windshield—and bigger windows—all of Safety Plate Glass.

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*The car that's wanted
for all its worth!*



Better rubber from start to finish: a team job for two of the six fields of Firestone

Because rubber is rather choosy about where it grows, this versatile material was once available to American industry only through foreign sources—often at prohibitive prices. Today, Firestone operates extensive rubber plantations in Liberia, Brazil, Guatemala and the Philippines. And, here at home, Firestone manufactures huge quantities and many types of synthetic rubbers

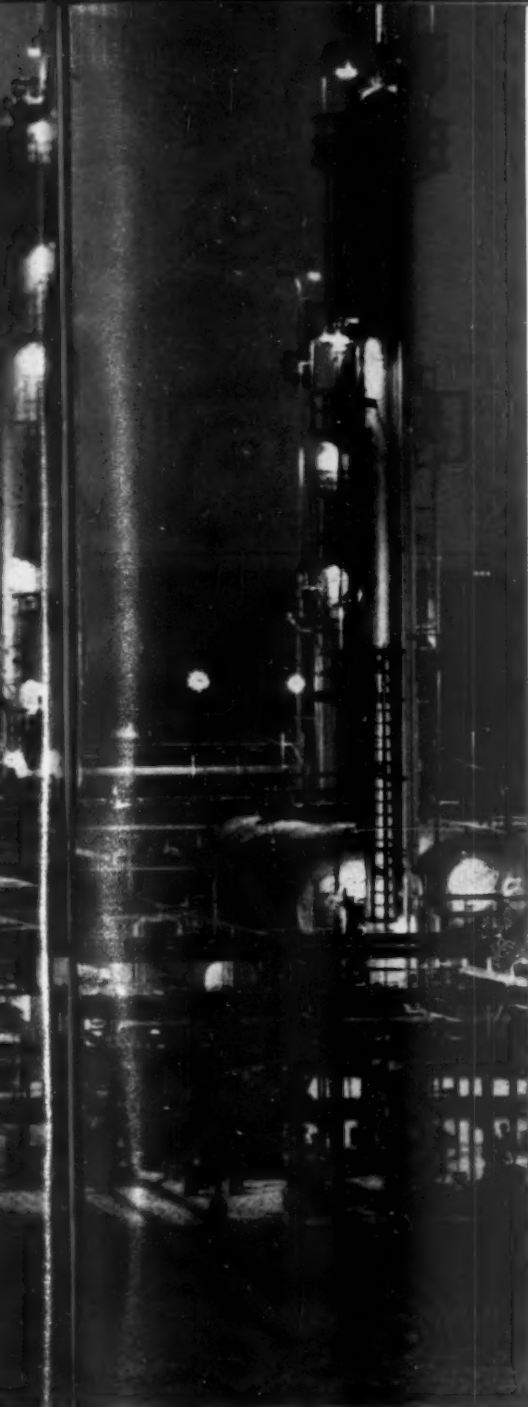
—some of which it was making before World War II. All told, Firestone's pioneering program has made it a world leader in rubber production. In the broad areas of research and development, as well as in manufacturing, Firestone has continuously served the vital needs of America's growing economy. Making the best today still better tomorrow is a Firestone promise.

And it's a promise that's being made good in six major fields of industry: rubber, metals, plastics, synthetics, textiles and chemicals.

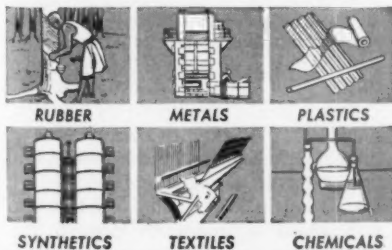
Firestone

MAKING THE BEST TODAY STILL BETTER TOMORROW

Copyright 1959, The Firestone Tire & Rubber Company, Akron, Ohio



THE SIX FIELDS OF FIRESTONE



With a worldwide network of 66 plants in 19 countries, Firestone is famous for quality in six fields of industry which are vital to the welfare and progress of mankind.



SALESMAN Wall, right, arranges at Allstate booth to transfer auto policy of Stearns C. Schmohl, typical blue-collar Allstate customer, to a new car.

way in offering reduced rates for girl drivers under 25 and all young drivers who have passed approved driver-training courses in high schools. There are other savings for special groups. Allstate classifies drivers in 14 major categories, 120 sub-categories; the National Bureau recognizes only six classifications for urban drivers, three additional ones for farmers.

• **Respond to Challenge**—The old-line companies haven't sat idly by while Allstate and other independents cut into their business. They, too, have been weeding out stodgy selling and processing methods. Several big companies in California have been cutting costs by reducing agents' commissions, and the National Bureau is sponsoring a new "merit rating" plan for drivers in that state.

Travelers Insurance Co. last year switched to direct billing of premiums by the company rather than the agent, and it has been pushing its own merit rating plan, which brings rates for good drivers much closer to those of the independents.

In any case, a Travelers man says, "Our agents say they can spot the independents a 10% advantage in rates and still compete effectively with them." The reason, he says, is that Travelers agents have more time to give personal service to policyholders.

• **Commissions**—The older companies run into complaints from their own agents, however, as they take over more of the agents' clerical operations and cut gross commissions accordingly.

Companies say this process doesn't much affect the agents' net income, since their expenses are reduced. The agents' greatest fear seems to be that a direct relationship building up between company and policyholder might freeze the agent out of renewal com-

missions. Company spokesmen scoff at this fear. The standard agency contract, they say, protects the agent's right to commissions on renewals.

IV. Target of Criticism

Allstate itself has been under fire, precisely because of its low rates and its hard sell. Earlier this year, for example, critics in the New York legislature tried unsuccessfully to have Allstate barred from selling in Sears stores on the ground that it maintained its "cut rates" by giving policyholders poor service and by being niggardly in meeting claims.

In answer to such charges, Allstate points to its high renewal ratio. Last year, more than 88% of its auto policyholders renewed, not counting cases where cars were sold or taken out of service. Branch says, too, that Allstate has "more claims employees in New York than any other insurance company" and its drive-in claims service (picture, page 76) is a major selling point for its agents.

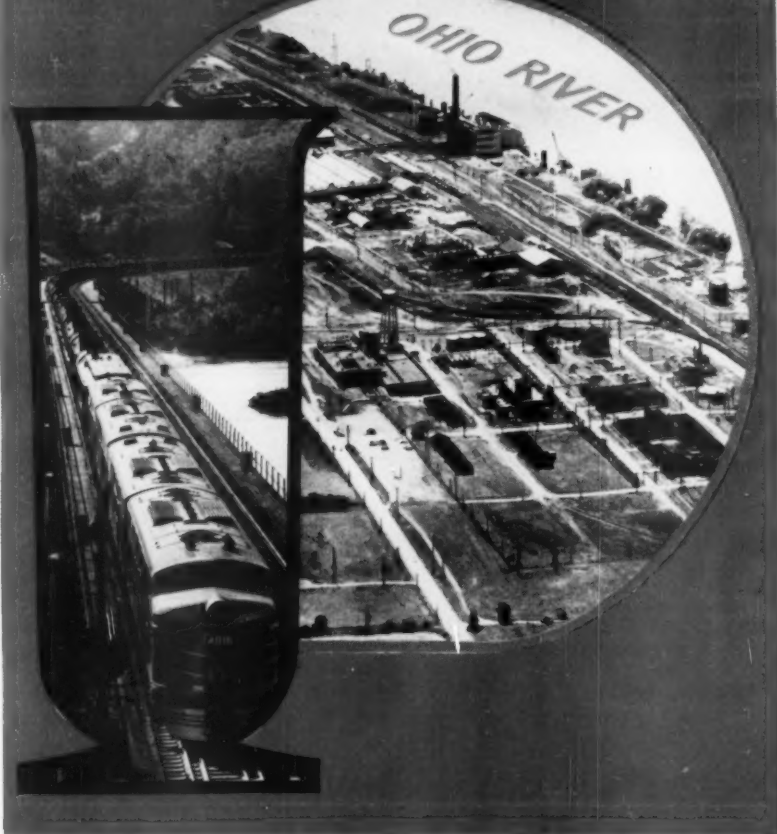
• **Tough Stand**—Branch attributes criticism of Allstate's New York service to the "hard line" the company has taken on "unmeritorious" claims. Most companies pay claims, even questionable ones, when it seems it would cost more to fight the claim than to pay it. Branch says this has simply helped to inflate over-all expense of claims. His way is to fight questionable claims even when it costs more than to settle them.

• **Selective**—Another criticism of Allstate is that it's a "select risk" company, that it skims the cream from the market. As one insurance man sees it: "Those boys want to be in the insurance business all right, but they want to divest themselves of practically all the risk."

Allstate is undeniably selective. Last

Chemical mix for

the morrow



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PITTSBURGH 22 COurt 1-6220 **CHICAGO 7 WAbash 2-2211**



PUNCHING UP data to be sent to home office spreads rate-making. Allstate bases premiums on its own policyholder's record.

year, its salesmen wrote more than 100,000 applications for auto insurance per month, yet the net growth in policies per month was only about 20,000.

But A. R. Boe, Allstate's vice-president for planning and development, says flatly:

"We insure the different classes of motorists in the same proportion that they appear in the general population. About 17% of all drivers are under 25—the same proportion of our policyholders are in that age bracket as well."

V. Where to Grow

Not because of criticism of its services, Allstate doubts that it can keep up its postwar growth rate of doubling in volume every two to three years. This is partly because the bigger a company gets, the less rapidly it can continue to grow. But it is even more because Allstate executives suspect that the auto insurance market may be approaching saturation.

That's one reason why emphasis is being turned to other insurance fields, where Allstate feels it has a ready-made market for its new lines among its more than 4-million policyholders. "If you can't sell your friends," goes a company slogan, "you'd better not try strangers."

Most Allstate officers admit, though, that the shift will be gradual. The sales force, now about 3,100 men, has already had trouble in adapting to the special problems of commercial insurance.

Some of the expansion will be geographical. Allstate is already well established in Canada, and a new subsidiary, Altstadt Versicherungen, A. G., will open soon in Switzerland. If that goes well, Allstate hopes to expand into other Western European nations.

• Under Sears' Wing—The parent



The conversation above is purely fictitious, of course. But it might have occurred in an organization less generous in sharing its experience than the Rockwell Manufacturing Company, well-known producer of meters, valves and power tools. The reason? Carrier air conditioning in the five Rockwell plants, first put in operation in 1954, has brought about an 18 per cent increase in employee productivity—18 per cent, that is.

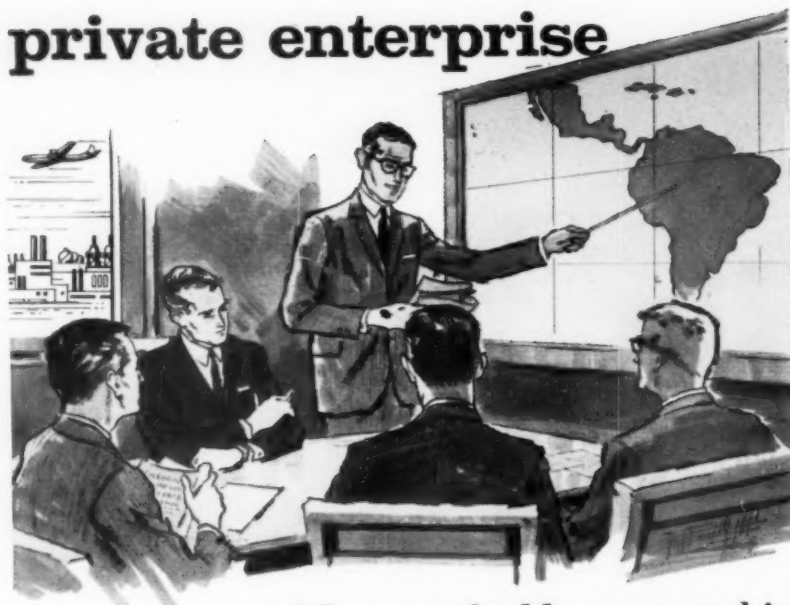
To say nothing of better workmanship, more usable floor space and lower costs. In addition, Rockwell gains the operating economy of Carrier Automatic Absorption Refrigerating Machines which produce chilled water for air conditioning from the same boilers used for winter heating. Start such benefits coming your way by calling the Carrier office near you. Or write Carrier Corporation, Carrier Parkway, Syracuse 1, New York.

BETTER AIR CONDITIONING FOR EVERYBODY



EVERYWHERE

private enterprise



welds a profitable partnership between the Americas

The vigorous, rapidly-growing countries of Latin America offer growth-minded United States industry as wide a variety of geographical characteristics, resources and business opportunities as can be found in any area of the world.

Vision and enterprise of private investors have played a vital role in developing these resources and opportunities. Inter-American trade and investment have helped create a two-way flow of goods and services which is mutually beneficial to Latin America, and to the United States. For Latin America, this interchange of goods, capital and technology has brought increased productivity, additional employment opportunities, higher standards of living, and more diversified and stable national economies. For the United States, it has brought expanded opportunities for the profitable employment of capital and labor and has opened up additional sources of materials and products essential to our economy, contributing immeasurably to our national security and well being.

The \$9 billion already invested by United States business in Latin America is only a small portion of the vast amount of foreign investment capital needed to supplement local resources in meeting the growing needs of the area. The American & Foreign Power System, already a leading investor in Latin America, has spent \$175 million during the past two years to meet the area's growing demands for electricity—key to industrial growth and to national progress and prosperity.

FOR FULL INFORMATION on opportunities for investment in the countries served by the American & Foreign Power System, write the Company's Area Development Section.

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STOCK QUOTATIONS are of such interest to employees in profit-sharing plan that these boards are set up in offices.

Sears is giving Allstate a free rein. Though wholly owned by Sears, Allstate today operates independently. Sears officers make up a majority of the board of directors, thus control major policy and investment decisions, but they don't interfere in Allstate's day-to-day operations.

Sears gets some services from Allstate. Its truck fleet is insured by Allstate; Allstate writes Sears' group accident and sickness insurance and part of its group life insurance. Allstate helps with investment counsel to Sears' profit-sharing fund, which is diversified nowadays. But Kellstadt, Sears' president, says these transactions are kept "at arm's length."

• **Possibilities**—But there isn't much question that Allstate is becoming more important in the Sears picture. One indication is that Sears last fall invested an additional \$50-million in Allstate, giving it a total investment of \$54.8-million in the company—whose net worth at the end of 1958 was \$172-million.

At present, Allstate earnings are equal to about 27¢ per Sears' share. One Wall Street admirer of Allstate, William P. O'Connor of McDonnell & Co., figures that by 1962, Allstate earnings will reach approximately \$68.6-million, equal to \$1 of the \$3.80 per share he confidently expects Sears to net at that time.

This may be overly optimistic, but Allstate has many backers who think it can be done. As to whether Allstate will ever attain No. 1 rank among stock insurers, there's more doubt. As Allstate grows, the rest of the industry has had to resort to more imaginative measures to cope with it, and it's likely that from now on Allstate will find it tougher to keep this its growth rate. **END**



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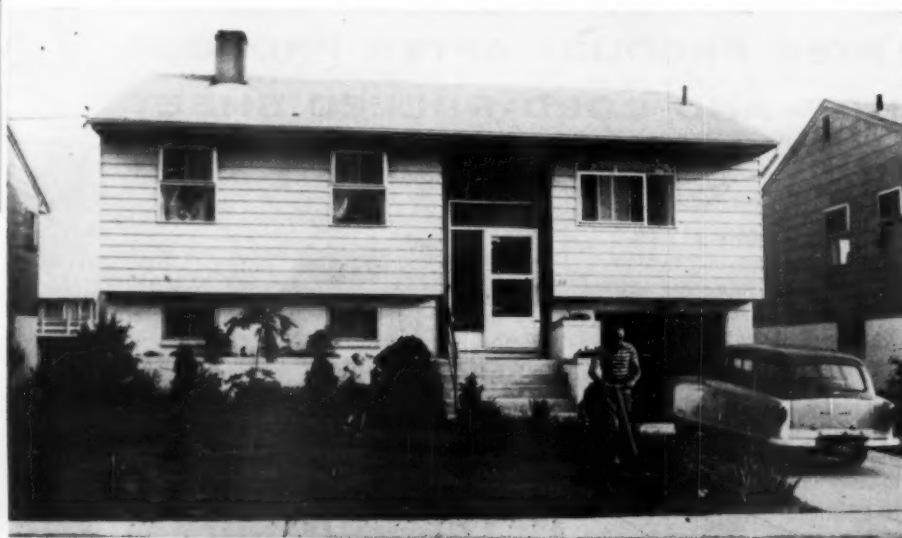




TURN OF THE CENTURY slum district in New Jersey was home of immigrant workers. Not all workers lived in slums like this, but few could afford adequate housing.



BY THE MID-THIRTIES workers had already begun to move out of substandard dwellings and into government-sponsored housing projects such as this one at Greenbelt, Md.



TODAY more than half of the workers in the United States own their own homes. Many of them have moved to the suburbs and live side by side with white-collar neighbors.

LABOR

Worker

Higher wages have enabled him to buy the same kind of housing and consumer goods as the white-collar employee.

Today's worker is a consumer. He has the money and the credit to buy all kinds of goods and services—and he has the leisure to enjoy them. His buying habits once were markedly different from those of his salaried, white-collar counterpart, but today are all but indistinguishable from them.

This transformation of American workers from "drab production units" living at subsistence levels to full-fledged consumer citizens of our market economy is traced in a report, *How American Buying Habits Change*, released this week by the Labor Dept. It details the shift in the buying habits of the workingman over the last half century. The report is based on government surveys, first instituted 71 years ago by the U.S. Commissioner of Labor, on how people live—what food they eat, what clothes they wear, what kind of dwellings they live in, what they spend on recreation and transportation.

• **A Group Apart**—At the turn of the century, the Labor Dept. report shows, American wage earners were not much of a market for the products of America's economy. Most of their income was spent on essentials—food, basic clothing, and shelter. There wasn't much left over for anything else. A chasm divided them in their style of living—in clothes as well as living quarters—not only from the wealthy but also from the salaried and self-employed middle class.

Today much of that difference has disappeared. "By any material measure, city workers and their families have remarkably higher living standards than they did at the beginning of this century," the Labor Dept. survey notes. "Perhaps the most evident indications are that they earn more and buy more and have become the most important group of consumers in the nation's economy."

• **Bare Existence**—How much things have changed can be seen in an account of a visit to the home of a skilled worker in 1905 by a young settlement house worker. The social worker must lift her skirt to avoid soiling it on the refuse that lies in the city slum street. Her nose crinkles slightly as she enters a dark, fetid hallway. The stairs are narrow; but since she has been here before, she quickly finds her way to a tiny kitchen "lighted by an airshaft and window opening out into the hall."

er Loses His Class Identity



WORKER'S FAMILY today enjoys all the conveniences of modern living. Here Leonard Dupas, a trucker's helper who makes \$100 a week, watches TV with his wife.

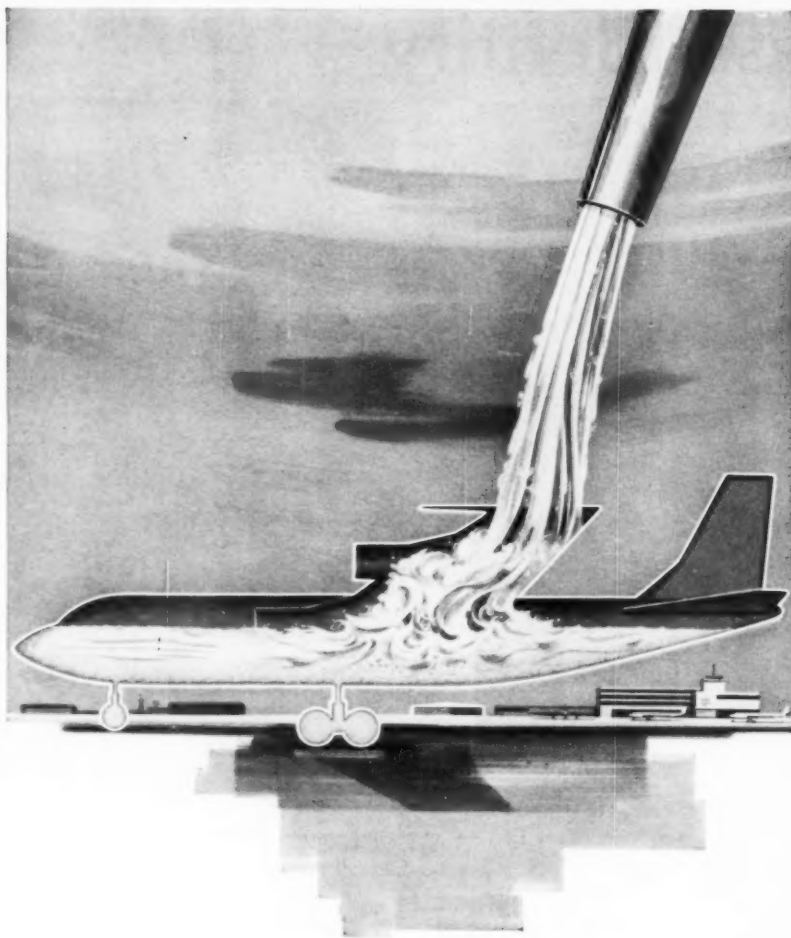


Housework is not drudgery for Mrs. Dupas with the aid of modern appliances.



SHORTER HOURS, vacation time give the breadwinner plenty of time to enjoy his family and the comforts he has bought for them.

MEALS are no problem for a worker's wife. Her food budget allows her to feed family an ample and varied diet.



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CREATIVE LEADERS IN FLUID SYSTEMS

Average net income as a percent of 1950 buying power

	1901	1950	1956
Per family ..	48	100	123
Per family member ..	39	100	119

©BUSINESS WEEK

where the family gathers on a cheerless November Sunday.

The apartment is small, consisting of a combination living and bedroom with two windows, a one-window front bedroom (6 ft. by 7 ft.), and one closet. "There is no bath in the house," the social worker writes. "There are four water closets in the yard. Each closet is used by three families, who take turns at keeping it clean. . . .

"There is a sink with one faucet in the kitchen. . . . The cook stove burns coal. Clothes washing is done in a wooden tub. Kitchen utensils and dishes are scanty. There are kerosene lamps for illumination.

"This family has six living children, but three others died at birth or in infancy. Five of the six suffer from chronic bronchitis. . . . The eldest daughter (16) and son (15) work in a carpet factory, earning \$5 and \$8 a week. The father is a derrick lifter—usually unemployed in the winter but earning up to \$3 a day when on the job. Both parents migrated from Ireland."

This family was typical in many ways of the industrial urban worker's at the turn of the century. Most were foreign born, worked long hours at little pay, and only infrequently enjoyed steady, year-round work. Federal surveys of family expenditures at the time found that about half of the typical worker's family income went for food, a fourth for rent. After other necessities came out of the remaining fourth of a week's pay, very little was left over for leisure time activities or for purchases now taken for granted.

• **Increased Earnings**—Today, a worker with the skill of the derrick lifter—roughly comparable to an operating engineer—will earn well over \$3 an hour. The chances are he will also work a full year—thanks to technological changes in the construction industry. If the family has a second income, it will come from the wife, not the children.

The increase in real earnings over the last 50 years is considerable for the average worker, even those whose hourly rates are well below that of highly paid construction workers (table above).

The buying power of wages earned by the average worker today is roughly three times greater than it was 50 years ago, even allowing for higher prices.

These gains were secured out of the productivity of the U.S. economy. The American worker now turns out three



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Are you permitting needless expense by "over packaging" your products? Did you know that there are *flexible wraps* available which can give positive protection from damage by water, moisture, dust, dirt, staining or rough handling? The important point is, *the cost of these flexible wraps can be many times less than other packaging materials.*

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Ticket handling for top shows

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Checks, application blanks—even the members' self-addressed envelopes—are whisked through a Recordak Reliant Microfilmer, which not only photographs the items but also indexes them right on the

film. This gives The Play of the Month Guild a photographically accurate and complete record, which can be filed at the finger tips. Makes it a snap to answer questions or double-check any transaction.

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Costume designs by Irene Sharaff

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☐ Paper reproductions in varying sizes can be made directly from your microfilms fast as needed.

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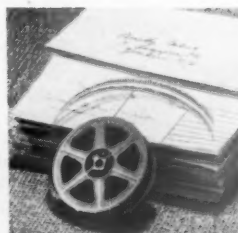
Send for free booklet, "Short Cuts with Recordak Microfilming," which gives further details. Or have a Recordak representative or Recordak Microfilming Dealer call. No obligation!

"Recordak" is a trademark

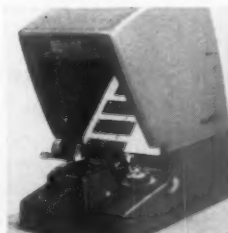
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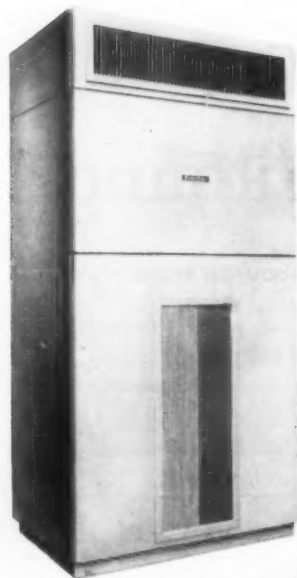


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*"... another indication of
 the worker's new status is
 the roof over his head . . ."*

STORY on p. 90

times as much work in a 40-hour week
 as his grandfather did in a 70-hour week.

The Labor Dept. offers some statistics on the worker's buying habits that graphically depict the progress made.

• **More Sundries**—Today's worker spends proportionately less of his income on necessities than did his father or grandfather. In 1875, according to the Labor Dept., the wage earner spent 6¢ of each dollar on non-essentials or "sundries." In 1950, he spent 43¢ on such items.

In addition, a worker today gets more for his money. For example, the 31¢ of each dollar spent on food in the 1950s buys more food—and a better balanced diet—than the 43¢ per dollar spent in 1901. Apparel is more smartly styled and more efficiently functional than clothing 50 years ago—and reflects less class difference.

Transportation accounts for the most radical change in the worker's buying habits. Half a century ago, none but the rich commanded private transportation; today most workers take car ownership for granted.

• **Comfortable Homes**—Another indication of the worker's new status is the roof over his head. In 1901, a federal survey found that only 19% of a representative sample of 25,440 worker families in "principal industrial centers" owned their own homes. Today, over half of U. S. workers own homes, many in the suburbs.

And this isn't the whole story. Much of the increased purchasing power experienced by American workers has gone into making the home more comfortable. Gas or electric stoves have replaced coal or wood burning units. Running water—a rarity and luxury in worker homes 50 years ago—makes possible the use of washing machines, now a fixture in many working family homes. Refrigerators, vacuum cleaners, electric sewing machines, and other household gadgets not only make housework easier for the workers' wives, but also bring the wage earner into the market as an important consumer.

• **Richer Diets**—The switch from the old-fashioned over-the-arm market basket to the supermarket shopping cart is symbolic of the great change that has occurred in the food buying habits of most Americans in the past 50 years. People today buy more food—in both bulk and variety—and grow very little of it themselves. The U. S. Agriculture Dept. estimates that well over half of the vegetables consumed in 1909, ex-



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cluding potatoes, were home-grown.

But the change in food consumption is most marked among worker families. Their buying is no longer at subsistence levels. In the early 1900s a chief staple of the worker's diet was the potato. "It was not unusual," notes the Labor Dept. report, "to serve potatoes regularly for breakfast as well as lunch and dinner." Today's shopping cart will contain more leafy and yellow vegetables, fruit juices as well as more "fresh" vegetables and fruits in frozen form.

Milk and dairy product consumption has increased greatly over the last 50 years. A wider variety of meats are available throughout the year—at prices a worker can afford to pay.

- **Better Medical Care**—Another measure of the improved condition of the American worker is the amount of money he spends on medical care. In 1901 he could only afford to spend 2.7% of his income for "sickness and death." In 1950, the worker devoted 5.1% to medical care, excluding such items as funeral expenses. Worker families in 1950 were spending roughly four times as much money for medical care as in 1900, in dollars of equivalent purchasing power. And, each dollar bought better care.

- **Time For Fun**—And topping off all the advances in his material well-being, today's worker has a lot more time to enjoy the fruits of his labor. The shorter work week, vacations, and holidays all combine to give him a leisure undreamed of at the turn of the century. Then, the 10-hour day, six-day week were not uncommon. But rapid strides in increasing productivity soon made shorter hours feasible.

Along with the rise in free time, worker expenditures for recreation, education, and reading increased. In 1901, families allotted, on the average, 2.7% of their expenditures to these activities. The ratio increased to 3.7% in 1917-19. In the mid-1930s, despite the depression, it rose to 4.1%. Today the proportion is well over 5.8%.

- **Vanishing Class**—What about the future? Most experts believe that the trends of the last 50 years will continue to accelerate over the next few decades. According to the Labor Dept., the separate identity of the "working class" in this country is fading away.

"The wage earner's way of life," states the report on buying habits, "is well-nigh indistinguishable from that of his salaried co-citizens. Their homes, their cars, their baby sitters, the style of the clothes their wives and children wear, the food they eat, the bank or lending institutions where they establish credit, their days off, the education of their children, their church—all of these are alike and are becoming more so." **END**

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STEEL STRAPPING

In Labor

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Steel Negotiations Are Resumed After Wildcat Strikes End

Wildcat strikers returned to jobs in the steel industry this week after scattered stoppages that idled thousands and—for a time—stalled contract talks in New York. The wildcats stopped Great Lakes ore boats for four days, shut down a number of mills (picture).

United Steelworkers officers ordered the strikers back to work under the two-week contract extension worked out with the industry (BW—Jul.4'59,p13). Privately, USW leaders weren't too unhappy over the wildcats, which they said showed impatience and militancy. One said the apparent sentiment shown in the stoppages make "further extensions improbable."

After a bargaining delay while the union got the wildcat strikers back on the job, negotiations settled down to point-by-point bargaining on terms. Critical issues remained to be settled, but progress was being made at midweek.

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Violence Fades as Chemical Strikers In North Carolina Accept Terms

For a time last week, North Carolina officials feared a strike in Morganton was developing into a "second Henderson" situation—a reference to the long, bitter, and often violent textile strike in which the state's National Guard is still on duty.

Then, with surprising suddenness, a two-month walk-out of members of the International Chemical Workers ended at the Great Lakes Carbon Co. plant in Morganton, on terms close to a management offer.

In many ways, developments in the walkout followed the general pattern of those in the early days of the textile strike, against the Harriet & Henderson mills. Great Lakes Carbon announced that it would operate

its plant and hired nearly 150 replacement employees—22 of them from the strikers' ranks. With that, the walkout began to take a more violent form; an attempted dynamiting failed.

As applications began to pile up for strike replacement jobs, the ICW acted quickly to salvage all it could—to bar a severe setback such as that suffered by the Textile Workers Union of America at Henderson. The ICW accepted a company 3% wage offer, which it took as a 6¢-across-the-board increase, and vacation and sick-leave concessions.

It gave in on a number of company demands—including permanent jobs and seniority rights for replacement workers.

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Bargainers in Nonferrous Metals Await Outcome of Steel Talks

Nonferrous wage talks continued in an impasse this week, with the two major unions—the Mine, Mill & Smelter Workers and the United Steelworkers—and the big employers holding up decisions to await an outcome in steel bargaining.

Last week, members of the MMSW by an 82% referendum vote authorized "direct strike action" for a settlement with key companies in the nonferrous industry. The union said voting was "exceptionally heavy" and gave "overwhelming evidence" that its members want "action" on their demands.

The authorization does not mean an immediate walk-out—or, necessarily, strike action later. It was a routine negotiating move. And the 82% vote could indicate a lack of enthusiasm for a strike, despite the MMSW claims to the contrary; commonly Mine-Mill requests for a strike authorization get an even greater percentage of approval.

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New Jurisdictional Squabbles Confront AFL-CIO Council

AFL-CIO's executive council will face fresh jurisdictional squabbles when it convenes for its midsummer meeting next month. Test cases are accumulating, to be debated in an atmosphere of tenseness—and anger.

The most pressing will be that against the International Union of Electrical Workers, charged with "raiding" a Sheet Metal Workers plant on Long Island (BW—Jun.13'59,p98). IUE defied federation orders to drop an election challenge of SMU; last week, it won representation rights by a vote of 379 to 103 at a Belock Instrument Corp. plant claimed by the Sheet Metal Workers.

The latter said charges will be "pressed" against IUE at the next AFL-CIO council meeting; a penalty—perhaps suspension—will be sought.

Meanwhile, the SMW has filed charges of a raid by the United Steelworkers at the Chain Belt Co.'s Burmeister Div., in Milwaukee, and the International Glove Workers' Union has accused the Amalgamated Clothing Workers of America of raids on several of its locals.



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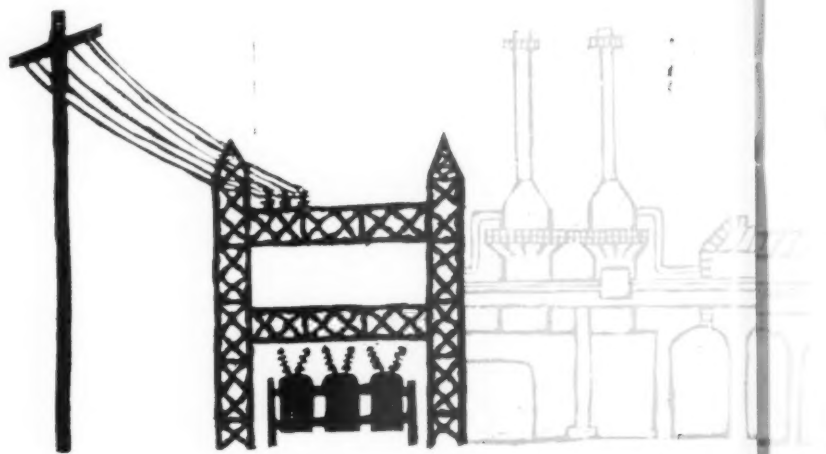
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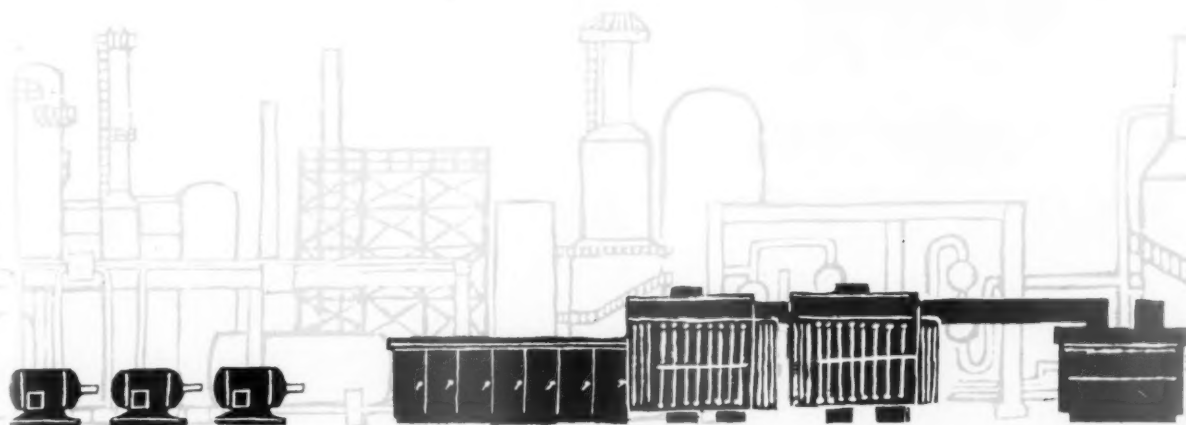


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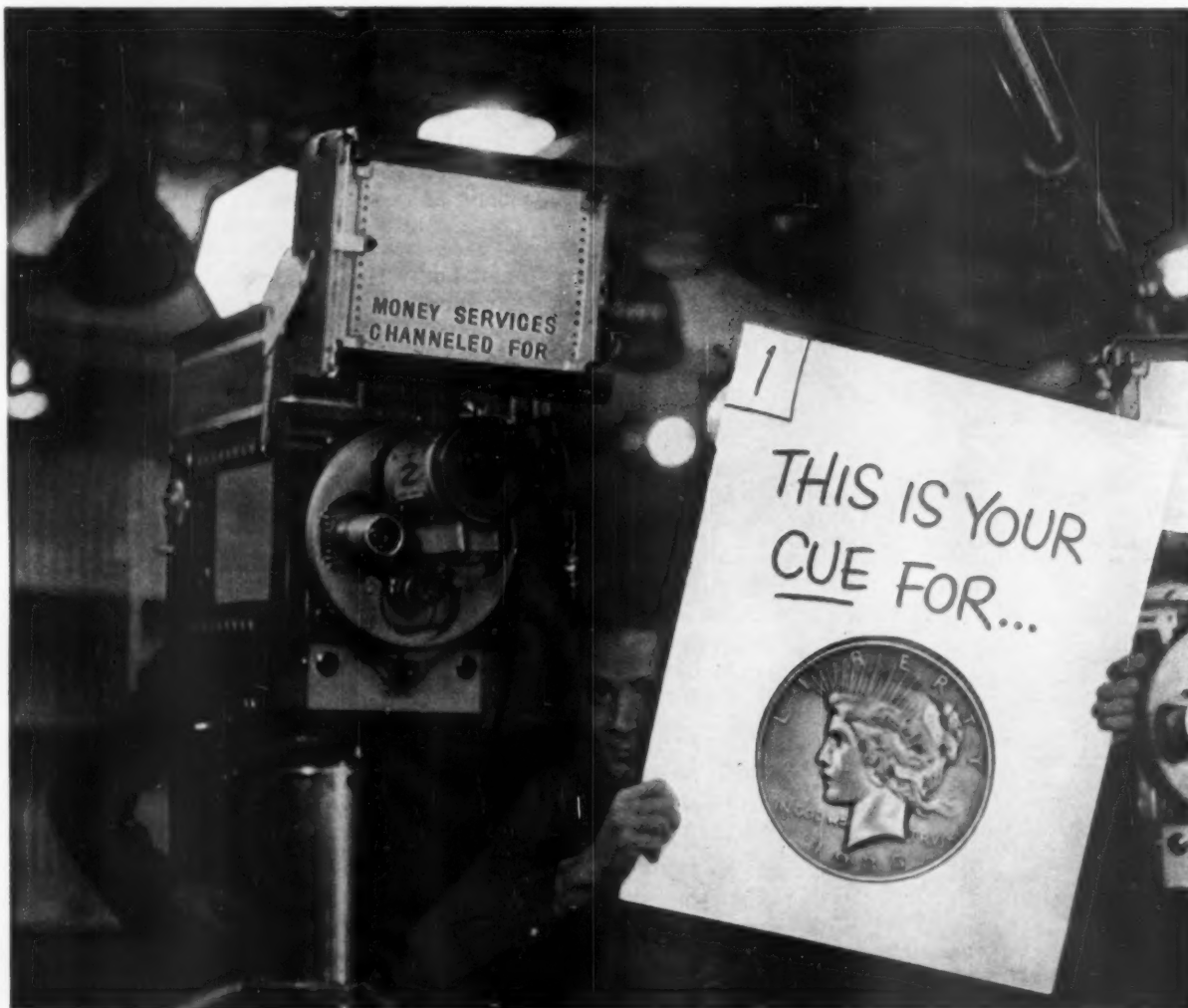
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INTERNATIONAL OUTLOOK

BUSINESS WEEK

JULY 11, 1959



The foreign aid debate this year is a real puzzle—at least on the surface. At times it has been hard to tell, as between the Administration and Senate Democrats, who wants what.

The fact is that foreign aid is due for a complete revamping—the kind that Washington can't possibly manage this year. What's going on now is a fight over a temporary operation. This year's debates won't greatly change the current aid program.

Part of the confusion arises, too, from political jockeying. For example, Senate Democrats this week cut Pres. Eisenhower's military request after he had blocked their effort to get economic aid raised.

Within a year or two (perhaps not until after the 1960 election) the foreign aid program will look entirely different. In fact, there probably won't be a foreign aid program as such.

By then, military aid will be part of the defense budget. The Senate this week approved Eisenhower's request that such a shift should go into effect in fiscal 1961.

Financial assistance to underdeveloped countries will be put on a long-term basis, but not through a single long-term program. The Development Loan Fund (DLF) probably will shrink rather than grow. The underdeveloped countries will get their capital in a number of ways—from the DLF, the World Bank, the proposed International Development Assn. (a soft-loan affiliate of the Bank), and from private investors. In short, Uncle Sam will share the development loan with West European governments and with private investors on both sides of the Atlantic.

This is a far cry from the official talk you heard a year or two ago in Washington. Then it was assumed the U. S. would be involved indefinitely in a foreign aid program of its own, with an enlarged DLF—financed by direct borrowing from the Treasury—handling the bulk of our economic aid.

The Senate Foreign Relations Committee has been pushing such a proposal—for five years and for \$5-billion. The Senate rejected it this week, after Eisenhower threw his full weight against the plan.

By the beginning of this year, Eisenhower had decided that the greatest immediate danger facing the U. S. was inflation. That's when he launched his all-out attack on big spending, even spending for one of his favorite programs—foreign aid.

Meanwhile Treasury Secy. Anderson became worried about the deficit in the American balance of payments and the loss of gold this has caused. Anderson figures that anything that seems to increase inflationary pressures here will increase foreign pressure on the dollar and on U. S. gold reserves. At the same time, larger foreign aid outlays would contribute directly to enlarging our payments deficit.

This is why Anderson wants to get the International Development Assn. established as soon as possible, then taper off on DLF loans (page 144). In IDA, the U. S. would be contributing only about 30% of the capital. Most of the rest would come from Western Europe.

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Washington hasn't given up all hope of breaking the Berlin deadlock when the Geneva foreign ministers conference resumes next week.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JULY 11, 1959

Despite Premier Khrushchev's tough talk, there have been hints that he may be willing to drop his demand that the West get out of Berlin at the end of an 18-month interim period. Both Foreign Minister Gromyko and First Deputy Premier Kozlov (page 31) have suggested that Moscow may compromise on this point.

Secy. of State Herter will push Gromyko hard at Geneva to explain the Soviet position. If Moscow has softened its stand in the past three weeks, there could be an interim Berlin agreement along the lines proposed by the West during the first go-around at Geneva. Such an agreement would probably bring a summit meeting by September.

There are plenty of danger signals still flying, however. And they make betting on the Geneva outcome risky.

Khrushchev, in a recent talk with ex-Gov. Averell Harriman, was especially belligerent on Berlin. He even suggested there might be a double-barreled crisis this summer—with trouble blowing up in the Formosa Strait as well as in Berlin. The Soviet Premier stated for the first time that Moscow has supplied Red China with rockets—presumably armed with nuclear warheads—that could be aimed at Formosa.

—•—

Washington is in a real hassle with Pres. de Gaulle of France. As a result, the U. S. is shifting 200 fighter bombers—capable of carrying nuclear weapons—from France to West Germany and Britain.

The story is this: We have insisted on keeping control of the nuclear warheads. But de Gaulle says we can no longer have storage rights unless the U. S. and Britain gave him a veto on the use of nuclear weapons anywhere in the world.

De Gaulle also is miffed because we won't give him all-out political backing in Algeria, and full cooperation in developing a French H-bomb.

U.S.-British-French talks on these issues have been going on for months. But now they have been suspended indefinitely.

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Thailand is making a real effort to attract foreign private investment. It's part of a new government program to speed economic development. Special inducements, including income tax exemptions, are being offered to foreign firms that will set up plants.

Merck & Company, Inc. has just signed up to build a pharmaceutical plant in Thailand. Merck is the first American company to participate in the new program.

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Detroit is hoping that its compact cars will put it back in the export business. As things look now South America and South Africa will be the best foreign markets. Apart from the Benelux countries, the prospects in Europe don't look too bright. General Motors Overseas Div. (page 45) isn't talking yet about its plans for the Corvair. But Ford says a definite percentage of Falcon production will be allocated for export.

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In Washington

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Bill to Spur Private Investment

Abroad Studied by House Committee

The House Ways & Means Committee opened hearings this week on proposed legislation to spur U.S. private investment overseas through tax incentives. Differences of opinion within both Congress and the Administration indicate the bill introduced by Rep. Hale Boggs (D-La.) faces tough going.

Basic purpose of the Boggs bill is to allow U.S. companies operating overseas to defer U.S. tax payments on the income earned abroad until it has been "repatriated" or distributed in the U.S. The Commerce Dept.'s Assistant Secretary for International Affairs, Henry Kearns, supported the major provisions of the bill. But David A. Lindsay, assistant to Treasury Secy. Robert Anderson, said the Treasury would limit deferral provisions to so-called underdeveloped areas.

The deferral provision would extend the benefits now enjoyed under existing law by U.S. companies with foreign subsidiaries to a new class of "foreign business corporations" set up for the purpose of taking advantage of the tax incentive. Kearns testified this would make it easier for small businesses to benefit from the deferral provision.

Other sections of the Boggs bill, including U.S. forgiveness of taxes waived by foreign nations and permission to set up foreign trading corporations taxed at a lower rate, are even more controversial.

Boggs hopes to win enough support from private business and the White House to get the bill out of committee and approved by the House this session. This, he feels, would expedite final passage during the 1960 election year session.

• • •

House Group Investigates Charges

Of Influence Peddling by Retired Brass

The House Armed Services Investigations Subcommittee opened three weeks of public hearings this week on alleged Pentagon influence peddling by retired high-ranking military officers (BW-Jun.13'58,p32).

At the outset, the subcommittee—headed by Rep. F. Edward Hebert (D-La.)—got tangled in two issues that are certain to crop up continually during the investigation:

- Present rules forbid retired military brass from "selling" to their former services—for two years after retirement in the case of the Army and Air Force and for life in the case of the Navy. But how do you define "selling?" When a retired senior officer "advances an argument in favor of an idea" with Pentagon procurement officials, asks Hebert and Deputy Defense Secy. Thomas S. Gates, Jr., the subcommittee's first witness, is he selling in the conventional sense?

- Aside from technical violations of the rules, which

many critics consider ambiguous, the lawmakers are worried about what subcommittee member Porter Hardy, Jr. (D-Va.), called "the employment of bad ethics" by retired brass. But Congressional experience has shown the difficulty of trying to "legislate morals."

Gates argued that the Pentagon's prolonged administrative reviews of every major contract award—in effect, the red tape that has generated so much criticism—in themselves provide "checks and balances" to prevent improper influence peddling.

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FPC to Hold Hearings Next Week

On Disputed Gas Pipeline Plan

The Federal Power Commission next week will hear oral arguments on whether a 1,809-mi. gas pipeline should be built from Texas, Oklahoma, and New Mexico gas fields to the California state line to serve southern California markets.

FPC Examiner Harry W. Frazee has approved the \$191.7-million project, proposed by Transwestern Pipeline Co. of Houston, Tex. Transwestern initially would sell about 300-million cu. ft. of natural gas a day to Pacific Lighting Gas Supply Co. of Los Angeles, which would resell to two affiliated natural gas distribution companies.

The pipeline plans are opposed by the FPC staff and the California Public Utilities Commission. Both argue that the price Transwestern will pay Southwestern gas producers—ranging from 12¢ to 23¢ per 1,000 cu. ft.—is too high. Staff attorneys plan to cite a recent U.S. Supreme Court ruling that strongly suggested that FPC attach price conditions when it issues a certificate for pipeline construction.

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Pentagon Finds Two Boron Fuel Plants

Are One Too Many for Its Needs

Pentagon officials are thinking about shutting down one of their two big boron base fuel plants that went into production this month. Olin Mathieson operates one of the plants for the Air Force at Niagara Falls, N. Y. It cost between \$40-million and \$45-million to build. Callery Chemical Co. operates the other plant for the Navy at Muskogee, Okla. It cost \$38-million to \$40-million.

The boron fuels are the so-called "exotic" high energy fuels that will be used for such planes as the B-70 bomber and the F-108 interceptor now being developed by North American Aviation, Inc.

A few years ago it looked as though these fuels would be used widely because of the extra range they could give manned aircraft. But now the Navy apparently has no need for the fuel because of the technological advances and program changes. And it is doubtful that the Air Force needs two plants. A 60-day study has been ordered by the Pentagon to determine which plant should be kept going if this becomes the final decision. The Arthur D. Little Co. is making the study.

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NEW PRODUCTS

Autogyro That Jumps Into Air

New hybrid aircraft takes off vertically like a helicopter, but flies like an autogyro.

Plans for low-priced private or commercial aircraft have a trick of blossoming often, then withering fast. But the unusual hybrid in the pictures—the two-place Umbaugh-18—already has enough chance of taking root to interest dealers in selling it, and several large aircraft manufacturers in making it.

Ray Umbaugh, inventor of the U-18, says he has more than 2,000 customers ready to place firm orders as soon as the craft go into production. Umbaugh, a World War II pilot, developed the design primarily to equip his own salesmen—he is president of Umbaugh Agricultural Chemical Co., of Ocala, Fla., custom-blenders of fertilizers—with vertical landing and takeoff aircraft for use on their daily rounds.

*** Jumps Into the Air**—The U-18 is essentially an autogyro with the ability to make jump takeoffs. It has a 33-ft.

rotor that normally spins freely to provide the lift, as in standard autogyros (BW—May 16 '59, p99), and a standard propeller, driven by a 180-hp. Lycoming engine, to provide the forward push.

Umbaugh has used a refinement of autogyro design based on applying power to the rotor only on takeoffs, eliminating the need for even a short run. Thus, it can take off vertically like a helicopter, yet needs no tail rotor to overcome rotor torque and no complicated gearing between engine and rotor. A relatively simple clutch and gear arrangement allows the engine to spin the rotor, with its blades turned flat, at more than 300 rpm. in preparation for takeoff.

At this speed, the rotor has plenty of energy stored up so that when the pitch of the blades is changed to bite the air (an action that also automatically disengages the clutch), the craft is lifted 15 ft. or more. By the time the craft is up that high, forward speed from the propeller has built up enough to maintain a steep climb.

If the engine should fail on takeoff,



RAY UMBAUGH designed this hybrid plane, a cross between a helicopter and autogyro, primarily for his fertilizer salesmen.



UMBAUGH-18 jumps into the air like a helicopter, but has standard propeller and engine to provide forward push.

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"... using a helicopter increased a salesman's performance fivefold . . ."

STORY on p. 111

the craft settles gently to earth, with the rotor pinwheeling. There is no transition period between powered rotor flight and free autorotation, as there is in helicopters.

• **Advantages**—Using only slightly more than half of its 180 hp., the U-18 can cruise at about 100 mph., with a top speed calculated in excess of 120 mph. That's faster than most helicopters, and enough for most headwinds. It is designed to maintain altitude at a speed as low as 26 mph. and it can land vertically, without power, in any space that will accommodate its 33-ft. rotor.

Test pilots who have tried out the 11 primitive prototypes Umbaugh has built so far say the autogyro configuration is far easier to fly than a helicopter. Because of its mechanical simplicity, Umbaugh hopes to be able to build it for around \$10,000. That's about the same as a high-quality light plane, considerably less than the Kellett Autogyro priced at \$27,500 (BW-May 16 '59, p99), and only a fraction of the price of a comparable two-place helicopter such as the Bell J, which sells for about \$45,000.

• **Airborne Salesmen**—It was the price of the Bell helicopter that got Umbaugh interested in designing his own flying machine.

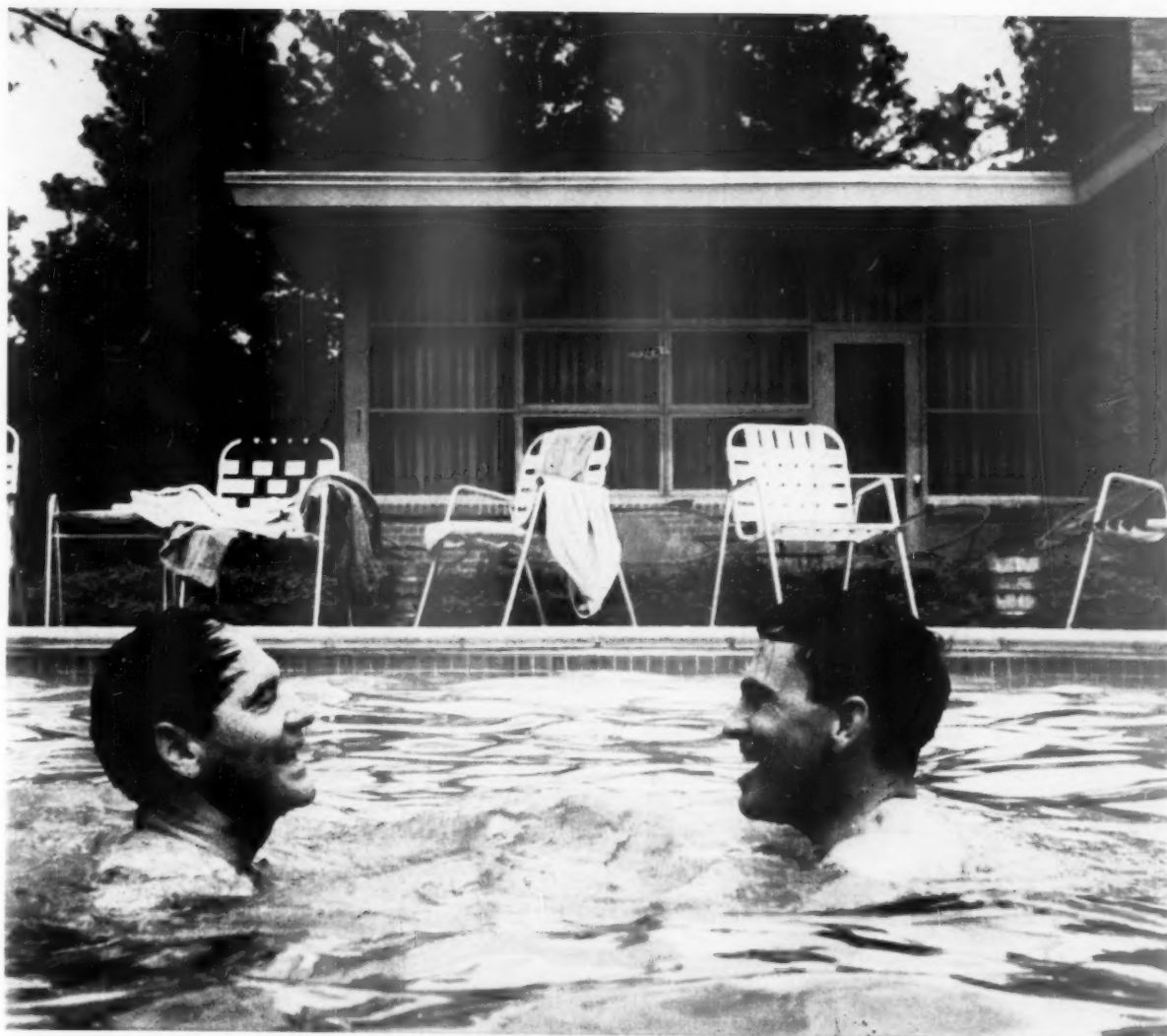
Umbaugh's company specializes in blending fertilizers to suit specific soil conditions on customers' farms. Since the war, Umbaugh has acquired seven plants and has built his fertilizer service in the Southeast to \$6-million a year. His problem has always been to get his sales staff of 100 to cover enough farmer prospects often enough. By automobile, a salesman can make only a few calls a day in farming country.

Two years ago, Umbaugh decided to put wings on his top salesmen and see how they would do if they could drop right into the farmer's front yard. He bought two Bell helicopters, which he later figured to cost about \$1.21 per mile to operate. The money proved to be well spent.

"Over an entire year, a helicopter increased a salesman's performance at least fivefold," says Umbaugh. "And during the seasonal rush, a flying salesman did 10 times as much business."

The mileage cost isn't really comparable with that of an automobile, Umbaugh adds, since the helicopters save many miles by cutting across the fields instead of following roads.

• **Doing It Himself**—Umbaugh's experience with two helicopters made him



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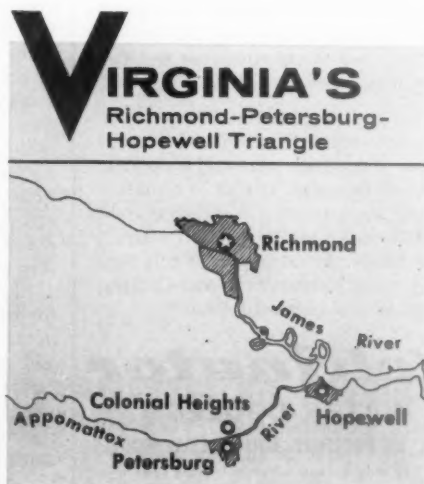
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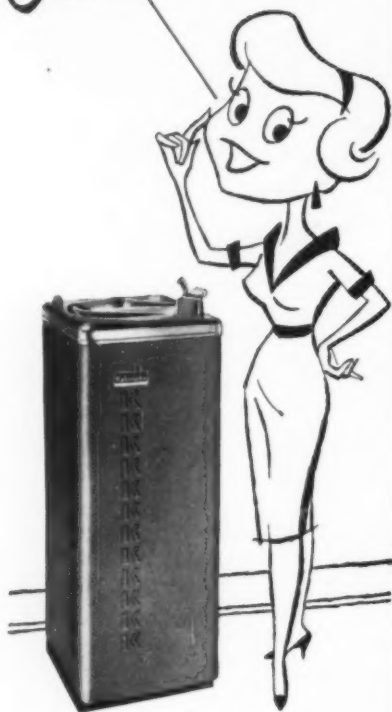
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want to put his entire staff into the air. "But buying 100 Bells for \$41-million was out of the question," he says, "particularly when I figured out that I could build 100 vertical takeoff aircraft of my own design for less than \$2-million."

With the help of a few engineers, Umbaugh started to build prototypes. Early models were built largely from parts bought from Benson Helicopters, Inc. (BW—Nov. 9 '57, p. 112), which will sell do-it-yourselfers anything from a bare rotor to a complete autogyro in kit form. Umbaugh's final version is considerably more sophisticated, with a pitch-controlled three-bladed rotor, a 180-hp. Lycoming aircraft engine, and more instruments.

• **Big-League Stuff**—The U-18 is no backyard inventor's gadget. "You might say it was designed by the whole aircraft industry," says Umbaugh, who has already put about \$1-million in the project. "We have received a lot of sympathetic help—which we have paid for—from almost every manufacturer we have dealt with."

Some of the environmental testing, for example, is being carried out at Vertol Aircraft Corp., and Umbaugh hopes that Vertol will bid on the construction contract, along with Avro of Canada and several others.

"Originally we contracted with Colonial Aircraft Corp. in Sanford, Me., for the first 1,000 production airframes," says Umbaugh, "but we have received so many orders—more than 2,000—that it is obvious to me that we should go directly to hard tooling. Now we hope to be producing at the rate of 10,000 a year by next January."

• **Financing**—Umbaugh hopes to have government certification for his ship within a few months. Most of the paperwork and static testing is done, and flight testing will begin this month.

"We budgeted about \$500,000 for certification testing," he says, "but it looks as if we'll save some of that. We hope it will cost only about \$400,000 to get certificated."

So far, he has financed the whole project without asking for outside money, and he hopes to keep it that way. He estimates it will take \$16-million to get into production. That's a lot of money, but he built his agricultural chemical business without going into long-term debt or issuing stock. He doesn't see why he can't repeat this performance in the aircraft business.

"I still think I could build 100 planes for my own use for about \$2-million," he says. "But because a lot of dealers and customers are willing to put deposits on the line to get them, too, we can plan for mass production. So I should be able to get my fleet for considerably less than I originally planned." **END**

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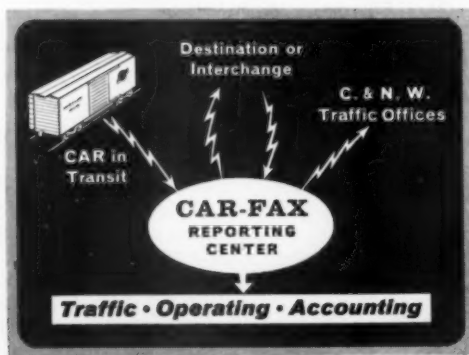
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CHICAGO AND NORTH WESTERN RAILWAY

In the Markets

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Mutual Fund Managers Are Choosy In Buying Common Stocks

Earlybird first-half reports of the nation's mutual funds are trickling in, and while they show that investment managers still have a high regard for common stocks they also indicate some signs of caution.

Chemical Fund increased its holdings of general chemical stocks in the second quarter, but made reductions in its drug holdings where it felt prices had outrun earnings.

Lazard Fund, started last July by Lazard Freres & Co., showed the same selectivity. It added three stocks of European metal companies—Steel Co. of Wales, Union Miniere du Haut-Katanga, and Union Siderurgique Lorraine, a French steel company—(foreign securities now account for about 10% of the fund's total assets). It also picked up 10,000 shares of Aluminum Co. of America. But it pared one domestic copper producer, Phelps Dodge, and such stocks as General Motors, Youngstown Sheet & Tube, and Pittsburgh Plate Glass—which many analysts think will do well this year.

Those funds that strive for income or stability through a mix of bonds and stocks show the greatest suspicion of high stock prices, and are trying to hedge their bets.

American Business Shares is one with such a conservative bent. It closed the first half with 12% of its assets in government bonds and cash, only 55% in common stocks. **Delaware Income Fund** takes the same stand; it had only 61% of its assets in commons. **Nation-wide Securities**, the balanced fund in the Calvin Bullock group, had only 54% of its assets in equities. As Hugh Bullock, Nation-wide president, put it: "This balance between stocks and bonds provides an opportunity for participating conservatively in any further advances in the market . . . and stability in case of new interruptions."

• • •

Financier Lowell Birrell Indicted In \$14-Million Securities Theft

Lowell M. Birrell, free-wheeling financier who fled to Brazil in 1957, was indicted this week on charges of stealing securities worth \$14-million from Swan-Finch Oil Corp., his now bankrupt holding company, and Doeskin Products, Inc. (BW—Nov. 30 '57, p85). The charges, brought by a grand jury in New York, allege that Birrell himself made off with at least \$3-million.

Bringing Birrell to trial, however, may be a difficult task. Two years ago, Birrell failed to show up when he was subpoenaed along with books and records of Swan-Finch; as a result, he was charged with criminal contempt of court—a charge that is set for trial in September. Swan-Finch's court-appointed trustees threw the Birrell affair into the U.S. Attorney's office, but it never took action. The trustees then turned to New York District Attorney Frank S. Hogan, who obtained the indictment.

MORE NEWS ABOUT MARKETS ON:

- P. 119—The Tightening Mortgage Market.

Birrell, described as a devotee of cafe society, may be hard to find. His present whereabouts is unknown, but Sydney A. Hellenbrand, his attorney, says he'll advise Birrell to return to the U.S. and tell his side of the story.

Paul Windels, Jr., New York regional administrator of the SEC, says Birrell—like Alexander L. Guterman, his some-time associate—pledged stock with money lenders and allowed it to be sold to the public to satisfy the loans. This, Windels says, evaded SEC rules requiring the registration of stock for public sale. The new indictment charges Birrell with 69 counts of grand larceny, alleging theft from Swan-Finch Oil and Doeskin stockholders of \$7-million each in stock certificates of Doeskin and the now bankrupt Keta Gas & Oil Co. He used the certificates to finance his operations.

• • •

Corporations Cut Back Holdings Of Government Securities

Corporations are reducing their large holdings of government securities, raising another storm signal for an already distressed money market where this week a one-year Treasury bill sold to yield as high as 4.80%.

Corporations have been a major help in easing the Treasury's deficit financing. They added \$7.3-billion in government securities to their portfolios from June, 1958, to February, 1959.

But now the corporations are cutting back on their buying. Their bank deposits are dwindling and they need cash to finance their part in the growing business boom. This week the Treasury reported that corporations, for the first time in six months, reduced their government securities holdings, cutting them back in March from \$21.2-billion to \$21-billion.

Wall Street's bond dealers report corporations were back in the market in April and May, but were substantial sellers again in June.

"The corporations are out of the market as aggressive buyers," one dealer says, "even though short-term yields are the highest in three decades."

• • •

The Markets Briefs

Commercial paper dealers boosted their rates $\frac{1}{8}$ of a percentage point this week to the highest level in nearly two years. The new scale on prime four-to-six month paper for leading companies is 4% and $4\frac{1}{2}$ % for lesser-known companies.

New offerings of corporate securities in June totaled \$878-million, topping May by \$32-million and April by \$126-million. The June figure brought total second-quarter corporate flotations to \$2.47-billion. Equity offerings in June amounted to \$473-million, exceeding corporate bond offerings by \$67-million.

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Squeeze on Mortgage Market

● The biggest user of credit is pinched between Federal Reserve restraint and rising demand by borrowers.

● Mortgage rates are already half a percent higher than a year ago. The next round will bring them to the traditional level of the 1920s—the 6% mortgage.

● A few localities already have the 6% rate today, but interest levels are distributed spottily.

The combined squeeze on money created by rising demand of borrowers and increasing restraint on the part of the Federal Reserve is beginning to pinch all down the line. Short-term interest rates are close to 4½%—the highest level since the 1920s. Long-term bond rates are over 5%. And the effects of the squeeze are now being felt in the nation's ponderous, massive residential mortgage market.

This week, everything points to a rise in mortgage rates. These rates are traditionally slow to move, but they are already around 5½% to 6%—well above the level of a year ago. Now, over-all demand for credit is forcing another hike and may eventually re-erect a monument of the 1920s—the standard 6% mortgage.

But there will be a big difference. Many of these newer residential mortgages bearing close to a 6% yield will be guaranteed or insured by the government. Even now, institutional investors agree with the insurance company executive who says government-backed mortgages are “as sound as a Treasury bond, with a lot fatter yield.”

• **Biggest Volume**—The mortgage market is the biggest user of long-term capital—bigger even than the government market or the corporate market. In the past 10 years, it has absorbed about one-third of the long-term capital available. There has been a continual increase in all types of mortgages since 1945, with multi-family and commercial mortgages rising from \$12.2-billion to \$43.4-billion, and farm mortgages up from \$4.8-billion to \$11.5-billion. But the major increase has been in home mortgages, which have jumped from \$18.6-billion to \$120.6-billion, with no sign of a letup.

The number of residential housing starts, running at a 1.3-million annual rate, is not quite so great as in 1950 and 1955. But dollar volume is at a record high. Present-day families want larger houses, which means more house to be built at higher labor costs—up 150% over the late 1930s and 90%

over 1945—and they want their houses to be on more expensive land, which now takes 20% of the total purchase price, compared with 10% in 1945.

I. National Market

Residential mortgages are the favored investment medium of mutual savings banks and savings and loan associations. In life insurance company portfolios, they are second only to corporate bonds. Commercial banks take up mortgages, too, in smaller volume, while pension funds—which now account for one savings dollar in every five—are beginning to show interest.

The mortgage market itself has become national in scope. But it is different from other markets, which are centralized in one place or are dealing in securities that boast high liquidity, that can be sold or bought overnight.

• **FHA and VA**—The rise of a national market for mortgages (“mortgage” is an 800-year-old Anglo-Saxon word meaning “dead pledge,” for the mortgagor in those times lost all earnings from the land he pledged for his debt) really began in 1934 with the inception of the Federal Housing Administration. It was bolstered substantially in 1944 by the creation of the Veterans Administration mortgage program.

The FHA program was launched in depression days to revive the ailing housing industry. It offered liberal terms to home buyers; to lenders, a guarantee that minimized their risk. In addition, builders were aided in getting mortgages on their construction work.

Then, as now, some areas of the country had demand for housing but insufficient capital, while other sections had more capital than demand. The life insurance companies, which were chiefly in the East but whose investment policies were the least confined by geographical considerations, began buying mortgages in the West and Southwest. Other institutions, chiefly savings banks, eventually followed the

life insurance companies in going outside their local areas to make investments.

II. Brokers and Bankers

This movement of funds from one area to another was not a smooth process until mortgage brokers and bankers came into the field. They fulfilled a major need, originating mortgages for institutions and then servicing the mortgages by collecting amortization and interest payments.

Mortgage banks were in existence long before the FHA program. Originally modeled after European institutions, mortgage banks used to sell their own note issues, secured by mortgages, to finance land settlement and improvement. Many such mortgage banks folded because of bad management or watered issues, but the mortgage bank was a familiar institution in the Midwest during the 19th Century. Later they began originating mortgages for direct sale to investors rather than by holding the mortgages themselves and issuing debentures.

The depression practically ruined the mortgage banking business. But the government guarantee program resuscitated it. Today, there are almost 1,000 in the field, with total assets of over \$2-billion. They originate many mortgages, taking a fee ranging from 1% to 2½% of the investment; they also service mortgages, for a fee of about one-half of 1%. It's estimated that they service more than 50% of the \$51.3-billion of FHA and VA mortgages outstanding, and about 80% of these mortgages held by life insurance companies and mutual savings banks.

• **Bankers' Role**—Unlike mortgage brokers, who are strictly middlemen between buyers and sellers, mortgage bankers originate mortgages or arrange to back mortgages without a commitment from an investor. Sometimes they have to hold mortgages as long as six months before finding a buyer.

For the most part, the mortgage banks depend on commercial banks for credit, and their borrowings are estimated at 75% to 90% of all bank loans to real estate mortgage lenders. In the last few years, though, mortgage bankers have been severely pinched whenever the Fed has tightened credit. So they are developing other sources of funds, and some of the biggest have set up revolving lines of credit with non-bank financial institutions.

• **National Character**—The mortgage bank and the mortgage broker are responsible for the national character of the present market. A Connecticut life



Mexico's Pyramiding Production

GIANT PYRAMIDS are a monument to Mexico's fascinating past, but zooming production figures are a tribute to the energetic young Mexicans of today. And they're a guidepost to the future prosperity of Mexico.

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insurance company will now buy mortgages in Arizona, while a New York savings bank will be holding mortgages on homes in Tennessee. If either wants to sell, they will contact the banker who originally arranged the purchases.

Says one insurance man: "We depend on the mortgage bankers to make the market. If we didn't have them, they'd have to be invented."

III. Trend in Rates

The market in mortgages has been active since the Fed eased money in the late fall of 1957. Even though the money managers have since reversed themselves, the demand for mortgages has been going strong. There's been no real drying up of the supply of funds, partly because investors have sought mortgages in preference to government bonds. But the demand for funds has been ahead of the supply, so rates have risen.

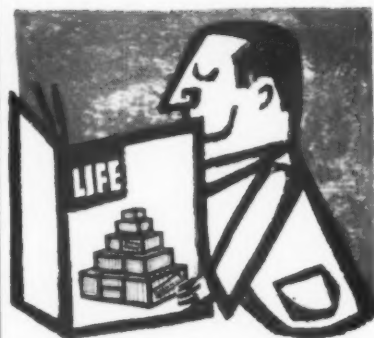
• **Closing the Spread**—Traditionally, mortgage rates are sluggish. They're the last to go up in a business boom and the last to decline in a recession. During the 1957-58 decline, for instance, they were sought out chiefly because the spread between mortgages and other obligations was so wide.

Now the spread has narrowed. The expected increase in mortgage rates is an attempt to maintain the spread. When it goes through, it will mark the second round of increases in mortgage rates since the end of the recession. But investors and mortgage bankers wonder if the rise will mark the beginning of a third round of increases rather than the end of the second.

Mortgages traditionally sell at higher yields than other securities, because they are less liquid. But some Wall Street bond dealers point out that bonds are not nearly as liquid as they once were, while mortgages are much easier to dispose of than they used to be. This suggests that a much narrower spread may prevail.

The growing liquidity in the mortgage market is largely due to the government's Federal National Mortgage Assn.—Fannie Mae—which launched its secondary market operations program five years ago. Using funds raised from the sale of debentures to the public, Fannie Mae buys government-backed mortgages at varying prices in tight times and sells them when investors are flush with funds and on the lookout for investments. In the 1957 tight money period, for example, Fannie Mae purchases reached a quarterly peak of \$375-million, but in the second quarter of 1958—an easy money period—sales out of portfolio amounted to \$350-million.

• **Rate Effects**—However, if the yield



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on governments goes up, mortgage yields are bound to rise even higher. Bond men say that if Congress approves the Administration's request to lift the 4½% ceiling now prevailing on new offerings of governments, the Treasury would have to pay somewhere between 4½% and 5% in marketing a new long-term bond. With government-backed mortgages yielding between 5½% and 5¾%, there's little doubt that the mortgage market will face another hike.

There's a considerable difference of opinion among mortgage experts about what higher rates will do to demand for housing. Congress has just approved a rise to 5½% in VA-guaranteed mortgages, which equals the FHA rate. Mortgage men say that this will stimulate demand by borrowers, who find the VA, with its no downpayment provision, more attractive than the FHA terms. FHA requires a 3% downpayment on the first \$10,000, 15% on the next \$6,000, and 30% of the remainder, to a limit of \$20,000.

But if the squeeze on credit continues while the Treasury is free to pay more on its long-terms, the ceiling on FHA and VA rates will hurt sale of those mortgages to institutional investors. That is what happened to the VA mortgage last year, and it affected FHA mortgages before their rates were raised.

• **Secondary Market**—If this happens again, there will be an active secondary market in VAs and FHAs. Institutions will sell some of their mortgages in order to buy higher-yielding conventional mortgages, while others will buy FHAs and VAs at discounts. But with the fixed rate on mortgages insured or guaranteed by the government, any substantial rise in interest rates will eventually mean a decline in the number of housing starts.

• **Regional Differences**—Moreover, the predicted ½% hike in mortgage rates is going to have an uneven impact across the country, increasing rather than narrowing the spread between regional rates and possibly pulling funds out of Wall Street to the West and Southwest.

Customarily, both these areas are importers of capital. In order to entice funds from a capital-surplus region, they have to offer higher yields to institutional investors to cover the ¼ of 1% service charge paid to the local correspondent mortgage banker.

In some areas, mortgage interest has already touched the old 6% level. In Texas, where commercial and home construction is booming, the going rate on conventional mortgages is expected to go from 5½% to more than 6%. In San Francisco, a few mortgages are still being placed at 5½%, but the prevailing rate has edged up to 6% and may go higher, with yields on FHA mortgages following closely. **END**



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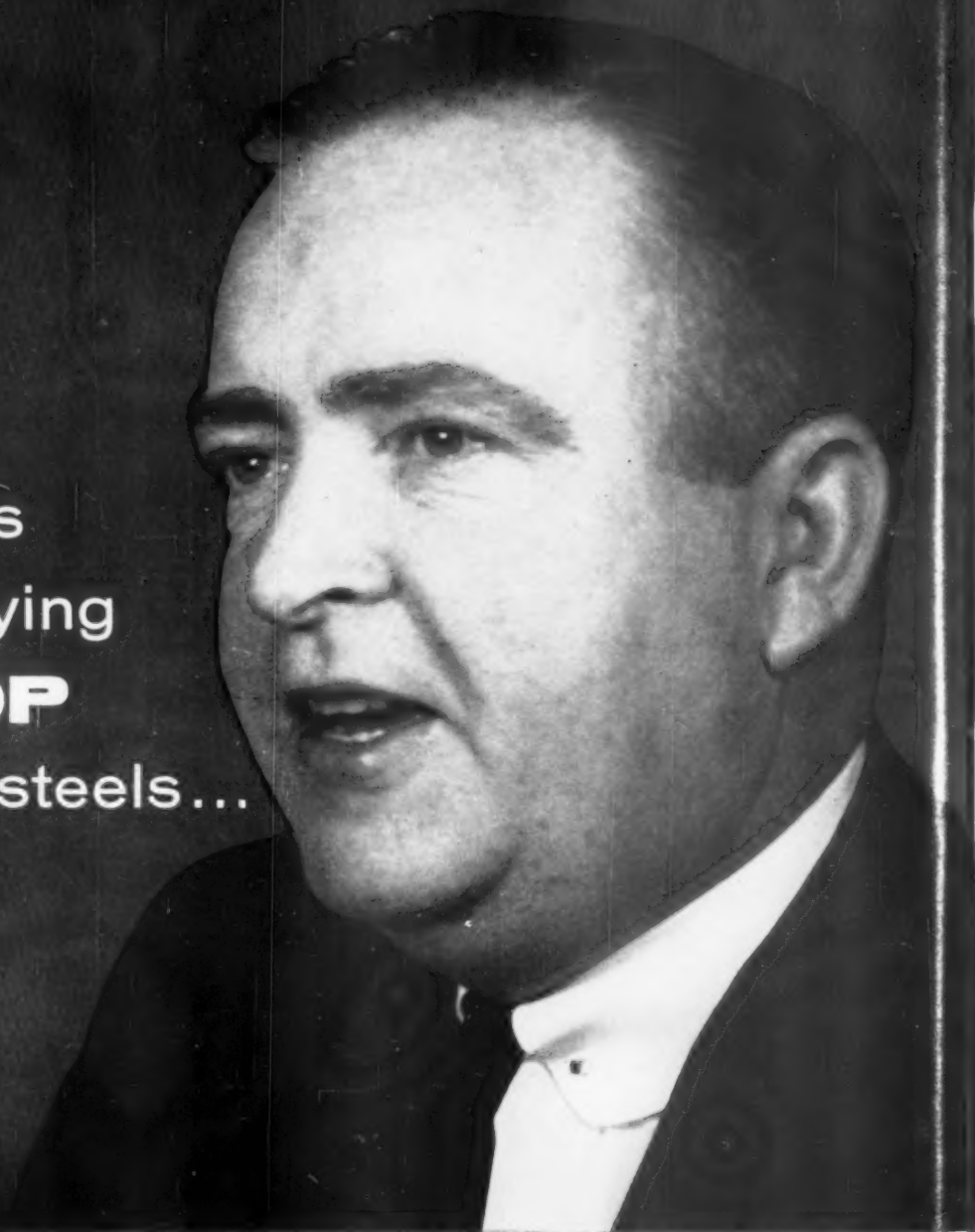
That's why Gen Tel, in the past 3 years, has spent more than \$10 million in the Fort Wayne area alone, to increase its facilities and improve its services.

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PERSONAL BUSINESS

BUSINESS WEEK

JULY 11, 1959

A BUSINESS WEEK

SERVICE

Planning a trip abroad? You'll have more fun bargain hunting if you're not haunted by dread of the U.S. Customs officer. You can exorcise this specter by brushing up on regulations before you take off. For instance, there are special rules to know about if you plan to patronize fine art galleries and auction rooms such as Sotheby's of London, or Charpentier's of Paris (BW—Apr.11'59,p129).

First, as to the general regulations. If you're out of the U.S. for at least 48 hours, you can bring back \$200 worth of goods duty free—and this exemption can be claimed once every 31 days. If you're abroad 12 days or longer, the free limit goes up to \$500—and you're entitled to this exemption every six months.

Two rules, frequently overlooked:

- Children (including infants) get the same exemptions as adults. So a family can pool individual exemptions to reduce or eliminate the duty on a big item, such as a car—or to increase the allowance of perfume, tobacco, or liquor that can be brought into the U.S. duty free.
- Wholesale, rather than retail, value of items purchased abroad can be declared—thus the customs allowance often can be stretched a good 20% or 30%, even more in some cases. **Caution:** Customs officers here are well on top of this; they can pinpoint the wholesale value of anything from Japanese cameras to Swedish crystal, and they can put you down for possible stiff penalties, if they discover deception.

Another point to keep in mind is that the U.S. Customs' estimate of the worth of foreign goods is based on the current official rate of exchange, not on the tourist rate, which is often lower.

Mailing gifts duty free is a boon, if you have a list of friends or business acquaintances to remember. All gifts costing less than \$10 (except perfume, liquor, and tobacco) may be mailed duty free and needn't be listed as part of your \$200 or \$500 allowance. You'll find that most shops abroad will handle the mailing for a nominal fee. Be sure that each package (sent via International Parcel Post) is marked "gift enclosed."

If the gift costs over \$10, and is mailed, the duty must be paid by the recipient, on delivery. You also can have major items (over \$10) shipped from overseas to your own home; but to be admitted duty free, as part of your allowance, such items must be listed individually on your Customs declaration when you reenter. **Incidentally, you can have such gifts sent up to 12 months after you've returned—within your allowance.**

The rules covering art objects have been widely misunderstood. Generally, an item classed as an "antique"—which means it must date before 1830—can be admitted to the U.S. duty free. This category includes any object having artistic value, from furniture to fine art.

Original paintings, etchings, engravings, and sculpture are admitted duty free regardless of their vintage—so, of course, moderns can be brought into this country gratis. There's a special rule on sculptures: first and second casts are treated as originals. Copies of paintings, and so on, are dutiable at 10% of cost (you pay, of course, only if you've exceeded your entry allowance).

Antique jewelry can be admitted free under the pre-1830 rule, but modern work can be expensive to bring in. For example, stones in settings

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
JULY 11, 1959

(depending on detailed rules) are dutiable as high as 55%. Uncut stones come in for much less—5% or 10%.

Some luxury items get special attention. For example, there are strict import limits on alcoholic beverages (one gallon per person), tobacco (no more than 100 cigars—but no limit on cigarettes), and perfume (generally one bottle of each well-known brand). Regulations covering certain trademark items are complex—cameras, for one. You may want to check with your local Customs office on this.

Departure tip: If you take a costly foreign-made article—such as a camera—abroad with you, be sure to register it with a Customs officer before departing—he'll give you a duty-free slip to use when you return.

—●—

A new book on what the writer calls "the fourth stage of life" (the first three being childhood, youth, and career) may be worth your reading. It's *The Nature of Retirement*, by Elon H. Moore (Macmillan, \$4.50). What you get here are some thoughts to mull over as you approach your final years behind a desk—some sensible ideas on planning for the day.

Also in this realm is the fourth revision of a popular book called *How to Retire to Florida*, by George & Jane Dusenbury (Harper, \$3.75). This is practical, down-to-earth, based on case histories of retirees.

—●—

Good seats for the third Pan American Games are going fast. This event—the "Olympics of the Western Hemisphere"—will be held in Chicago, Aug. 27-Sept. 7. More than 2,000 athletes from 25 American nations will take part in 214 contests (mostly at Soldier's Field).

Box seats for opening and closing night ceremonies are \$5, reserved seats \$2.50. For a complete schedule of events and ticket order forms, write to Pan American Games, Inc., 310 South Michigan Ave., Chicago 4. No mail orders will be accepted after Aug. 15.

Hotel outlook for these dates is favorable.

—●—

Charcoal chef—and yet a little unsure about buying a steak? Some of Chicago's old-time beef men give these pointers: Don't assume that 2 in. thick means a superior steak. Actually, goodness depends on grade and cut. Beef comes in four grades—prime, choice, good, and commercial, but grading gives only a general idea of quality.

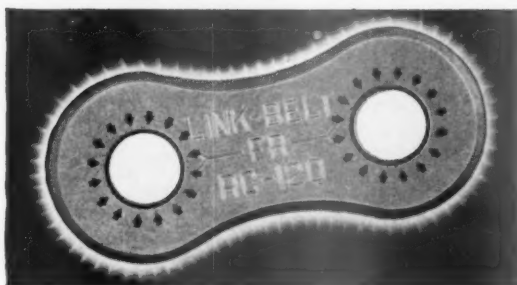
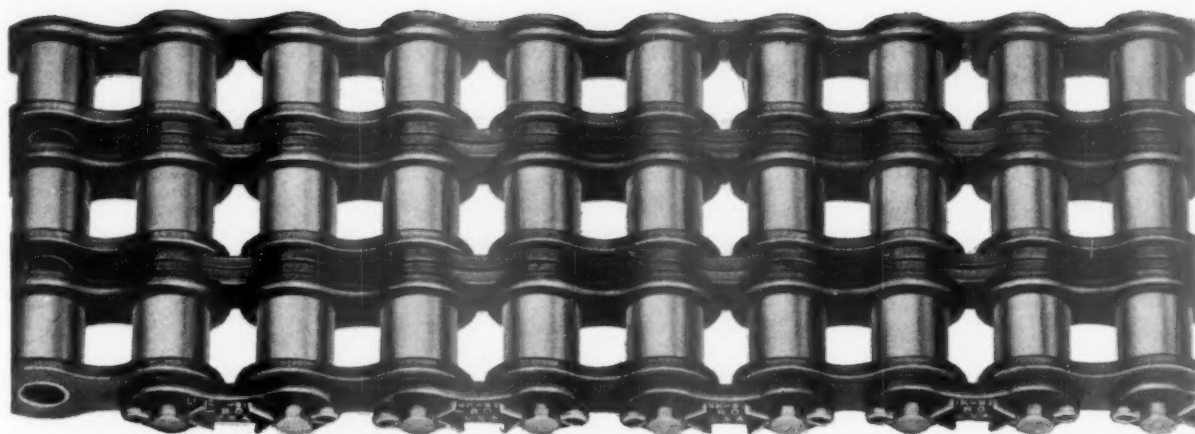
You want prime or choice that is thick-fleshed, blocky, and compact—with a heavy fat covering. The fat should be firm and waxy, and the lean should have plenty of fat marbling. Color can range from pale red to deep blood red and still mean fine beef. The tipoff is that the color of the best meat is both uniform and bright.

Take meat from refrigerator just before cooking—don't bring to room temperature first. Cook on slow, white coals.

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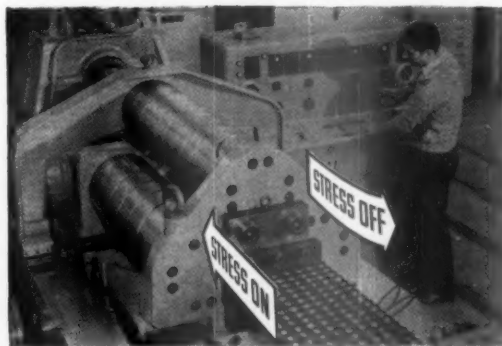
Reminder to boatmen: Since small craft under 20 ft. may not, as of now, travel freely on the St. Lawrence Seaway (BW—May 9 '59, p132), portage is necessary to bypass the Canadian locks, though you will be permitted to use the two U.S.-operated locks. By sailing the Lachine Canal, you'll avoid portage around the Canadian locks at Montreal.

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Arrows indicate critical areas treated with compressive stresses to improve fatigue resistance.

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. . .

Policy of Keeping Retired Executives As Consultants Cited by 40% in Survey

Some retired executives are regularly kept on as consultants in about two-fifths of 278 manufacturers surveyed by the National Industrial Conference Board.

The other three-fifths do not necessarily object to the practice. One-fifth of the companies surveyed have no living retired officers. Some of the others simply prefer to handle each case on an individual basis.

A number, however, prefer to make a clean break. Some of them fear the retired executive's presence will have a "restrictive effect" on his successor. Some report retirees lose interest quickly. Some argue that a consulting arrangement is unnecessary since retirement can be delayed and the executive retained in his regular duties, with a reduced work load, or on special jobs.

Some of the retired consultants are given continuing responsibilities; some are handed special projects. In many cases the consulting is on a stand-by basis, often as part of a deferred compensation plan. About a fourth of the companies regularly provide retired executives with temporary office space and stenographic help but rarely with permanent private offices or secretaries.

. . .

New Group Will Focus on Function Of Economists in Private Industry

A new organization, the National Assn. of Business Economists, has been formed, with Adolph G. Abramson, director of economic planning for SKF Industries, Inc., of Philadelphia, as its first president. The group plans to back research, publish a journal, debate public and business issues, and "develop and bring into sharper focus the contribution which trained economists can make in the business firm."

NABE, says Abramson, is not intended as a substitute for broader groups such as the American Economic Assn. or the American Statistical Assn. but "will give special attention to the particular problems and the professional functions of the economist who serves private enterprise."

First general meeting of the new association is planned for October, in Philadelphia.

. . .

Avro Head Quits in Policy Clash; He Had Feuded With Diefenbaker

Crawford Gordon, president and general manager of A. V. Roe Canada, Ltd., resigned last week because of an "irreconcilable difference of opinion over matters of policy." The big holding company refused to add any-

MORE NEWS ABOUT MANAGEMENT ON:

- P. 130—William Weaver of Howe Sound Co. shows what you can do with \$13-million.

thing to this statement, saying it was "a private corporate matter."

However, Avro, originally an aircraft company, is eager for defense business. And its chances of getting contracts have not been helped by Gordon's feud with Canadian Prime Minister John Diefenbaker, which erupted last February when the government canceled its order for Avro's jet interceptor.

Gordon was made president of Avro in 1951 when he was 38. His resignation will be effective July 31. In the meantime he is on leave of absence. Until a successor is appointed, his job will be taken over by Sir Roy Dobson, chairman, who is managing director of Avro's largest shareholder, Britain's Hawker Siddeley Group, Ltd., aircraft and missile maker.

Herbert J. Yates, 79-year-old president of Republic Pictures Corp., last week resigned after 46 years as president. He had been under attack for several years by stockholder groups who accused him of using the company to promote the film career of his wife, Vera Ralston, and selling films to television at bargain rates (BW-Mar.22'58,p146). New president is Victor M. Carter, a Los Angeles businessman who headed a group that has acquired Yates' and other stockholdings in Republic. Yates will stay on as chairman.

. . .

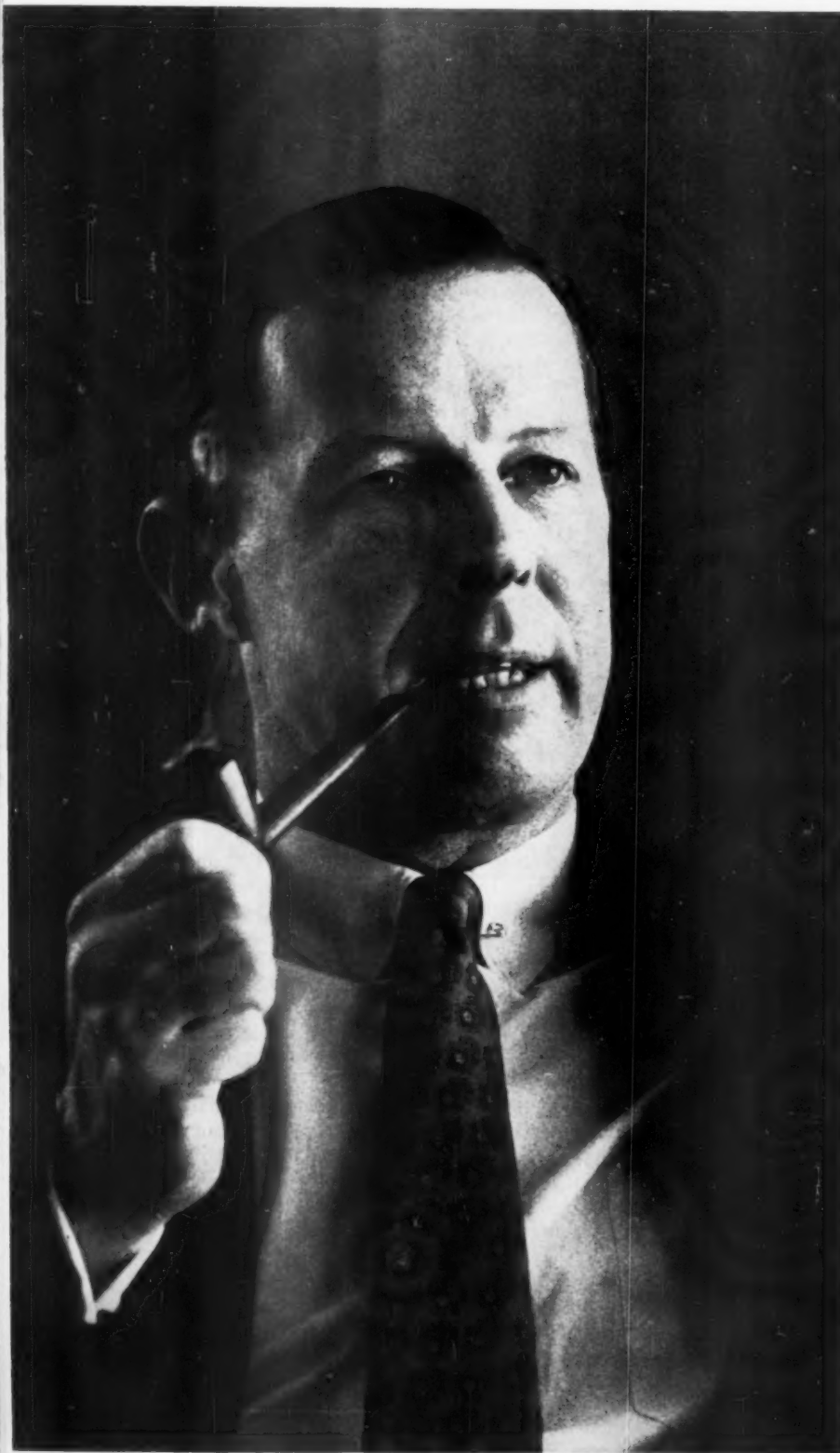
Management Briefs

Electric Auto-Lite Co. (BW-May16'59,p133) is getting rid of its 13½% interest in Crane Co., and thereby strengthening the hand of Crane's new chairman, Thomas M. Evans. The Auto-Lite board last week decided to take up Crane's offer to buy back up to 800,000 of its own shares at \$45 a share. This will give Auto-Lite an average profit of \$12 a share on an investment it has held eight months. For Evans it means the elimination of Crane's single largest block of stock, and the probable resignation from the Crane board of Auto-Lite Chmn. Gurdon Wattles—who otherwise might be an opponent of Evans if current tension between Evans and Alfons Landa, also a Crane director, erupted into a full-fledged fight (BW-Jul.4'59,p37).

The American Management Assn. has given the first three grants in a new program of support of management research. The money goes for studies of capital expenditure control, staff departments in large organizations, and industrial use of management consultants.

Some 10,000 employees of Sun Oil Co. last week received roughly \$10-million worth of stock in the latest distribution under its employee stock purchase plan. Under the program, started in 1926, the company contributes 50¢ for every dollar the employee invests. A 1926 investment has now appreciated 3,391%; 1,750,000 shares have been distributed.

How You Can Use \$13-Million



COMPANY BUYER William Weaver, head of Howe Sound Co., wants going, profitable ones: "I don't want anything where you have to go in and show them how to run the thing."

With that, and a couple of largely inactive mining companies, William Weaver (left) is putting together a money-maker.

William M. Weaver, Jr. (picture), a Philadelphia metal ore importer, needed money for his business back in mid-1957. He made a phone call to Haile Mines, Inc., in the hope of raising \$100,000 or so. Instead, the phone call eventually brought Weaver \$13-million to use—and the presidency of a big, diversified mining and metals company.

The \$13-million was sitting, in cash and liquid assets, in the till of Haile and of another company, Howe Sound Co., both big, once profitable metal mining companies that were down on their luck. How Weaver took the two companies, merged them under the name of Howe Sound Co., and put their luscious balance sheets to work acquiring other companies—most of them also cash-happy, and profitable, too—is a story still in its early stages.

A new chapter was added only last week when the merged company bought, for a sizable hunk of cash, Crucible Steel Casting Co. of Milwaukee and related assets from Crucible's parent company, Consolidated Foundries & Mfg. Corp., of Chicago.

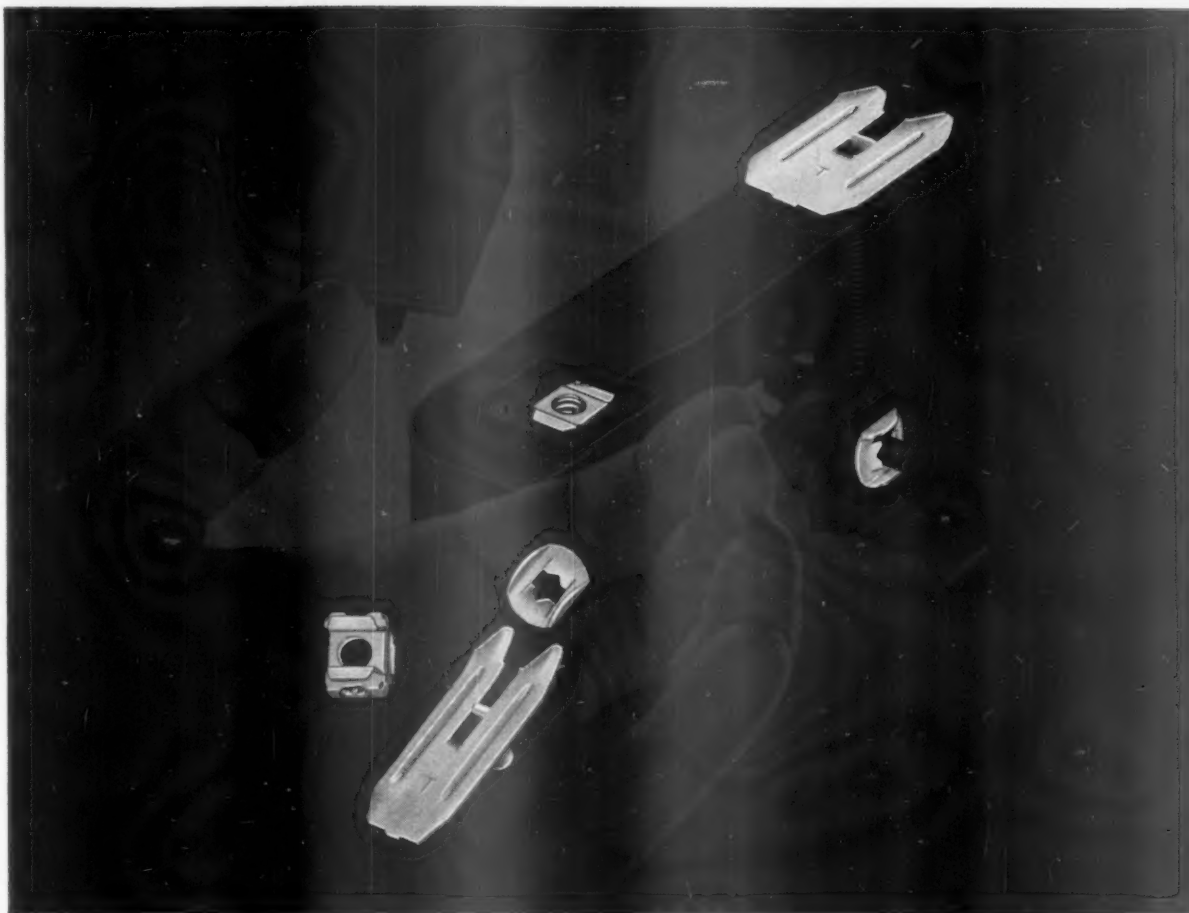
• **Eyes Forward**—Officers of Howe Sound insist it hasn't yet reached the mid-point of its growth, even though first-quarter 1959 earnings (2-million, or 74¢ a share, on sales of \$22.7-million) startled even some of its more enthusiastic Wall Street followers. There's still cash on hand that's not working, for as ardent as Weaver has been about using the cash, he has been equally ardent about seeing that more money is always coming in.

But Weaver has done enough in the two years since he first received his charge to provide a case study of how to use money—especially when that is virtually all a company has to use.

I. Spending Is Work

Last Dec. 31 Weaver had \$16-million in working capital—\$10-million of it in cash—to use in buying businesses. His board of directors has traced out a blueprint of just what those potential acquisitions should be like. The directors want companies that:

- Are going, profitable companies in some phase of the metals business.
- Have a book value of more than \$6-million.
- Are in a good tax position (with



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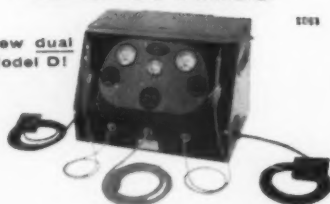
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either high depreciation, a potential loss on inventory or investment, or a tax loss carryforward).

- **Have good management** that will be around for a while.

- **Not So Simple**—But spending company money isn't that easy, even when the spender knows what he's looking for. It takes a good half of Weaver's time just following up acquisition offers. He gets two dozen or so a week, follows up maybe three or four. Most of the time, there's a deal or two nearing the closing stage, but they often never get there. Weaver finally turned down one bargain-price offer for a big producer of metal castings this spring because "the earnings were too much of a question; we don't want to be forced into the liquidation business."

Nevertheless, Weaver has managed to buy half a dozen companies—and engineer the amalgamation of Howe and Haile—in the two years since he became top man at Haile.

Even before he had the directors' blueprint, he was following its general lines. From the beginning he shied away from the weak company that could be rejuvenated. "I don't want anything where you have to go in and show them how to run the thing," he says; "The trouble with rebuilding a sick company is the time it takes." He wanted the profitable company with owners looking to exchange ownership for cash.

- **Connecting With Haile**—Weaver himself was looking to exchange part ownership for cash—for an attractive deal that was in the wind—when he made that 1957 phone call. He was trying to sell Haile a 20% interest in Frank Samuel & Co., his ore and metal brokerage house.

Haile wasn't interested on that basis, but it was cash heavy, and in the doldrums. It was running out of profitable manganese ores, had shut down its tungsten mines when government price support stopped—and prices tumbled—in 1957. Its long-time boss, Hewitt S. West, had died, and it was wondering where it was going, mulling over possible acquisitions or mergers.

So Weaver's phone call came at a psychological moment. Haile management knew him, knew he had increased Samuel's net worth tenfold in the 10 years since he had bought it. He might provide the leadership Haile sorely needed—if he would sell Samuel outright.

Weaver took a look at Haile's balance sheet with its leftovers from fat 1954, 1955, and 1956—current assets of \$7.3-million and current liabilities of only \$1.2-million. He decided he was indeed interested—so much so, in fact, that he took over Haile's presidency four months before the Haile-Samuel

merger in January, 1958. That deal, a stock transaction, made Weaver the largest single stockholder in Haile. But he had already started acting like the boss, and making inroads on the cash pile.

- **Profitable Splurge**—His first purchase was a small one, but such a beautiful deal that company officers like to look upon it as a symbolic beginning. It was National Paint & Manganese Co., which grinds manganese ores for use as coloring agents. Weaver bought it for \$150,000 (most of its liquid assets weren't included). It earned \$160,000 its first year in the stable.

He next picked up Nathan Trotter Co., a New York tin importer and, from the government Office of Alien Property, Karl Lieberknecht, Inc., a maker of knitting machines. Lieberknecht owned a small foundry and—most important—it also owned Quaker State Metals Co., an aluminum fabricator that racked up some \$10-million a year in sales of building products.

Then, almost before Weaver could total up what was left in the till, he was deep in negotiations to merge Haile into Howe Sound Co., an outfit with all of Haile's pre-Weaver troubles in magnified form—and so, apparently, the exact opposite of what Weaver was looking for.

II. Earning by Merging

Howe, like Haile, after years of profitable mining operations, had run into trouble with the 1957 break in metal prices, had shut down or nearly shut down most of its properties, and had lost its long-time boss by retirement.

It was down to a handful of employees when the directors moved head offices from New York to Salt Lake City, where Howe had a cobalt refinery and research offices. There employees kept books (showing a 1957 loss of some \$400,000, and yearend working capital of \$6.4-million); and the board argued about where the company should go—or if it should go on at all.

One businessman close to Howe at that time chose his words carefully when he said, "The atmosphere wasn't conducive to making decisions—and that's about as courteously as you can put it."

- **Courtship and Marriage**—Weaver turned a cold shoulder to a bid from a Howe director—Clyde Williams, former head of Battelle Memorial Institute—to come over as president, but when the talk turned to merger, he became more receptive. Some mining men raised their eyebrows at the idea of a still convalescent company like Haile joining up with another sick company.

Weaver liked Howe's New York Stock Exchange listing, the tax losses it might



C. Virgil Martin, President, Carson Pirie Scott & Company

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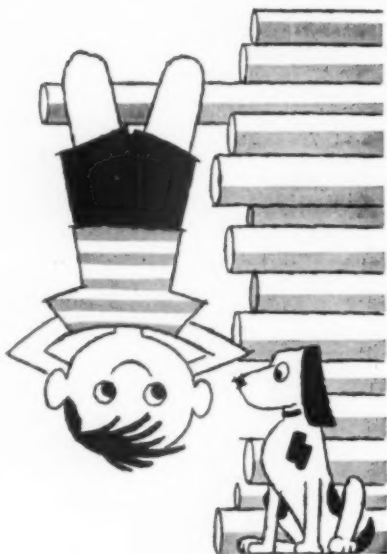
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provide through liquidations—and especially that \$6.4-million, the second half of his gift certificate. More money meant bigger deals, and "You can earn money cheaper by merging," Weaver is fond of saying.

The merger took place June 30, 1958; but again, Weaver had become president of Howe three months earlier. Haile stockholders got two shares of the new company for each five of Howe (Howe stockholders got an even exchange). Howe got five of the nine post-merger directorships and its name on the new company. But except for Financial Vice-Pres. William T. Holmes and one assistant treasurer, the entire management is Haile, and there's no doubt that Weaver is running the company.

• **New Brood**—Since the merger, Weaver has made three acquisitions: Austenal, Inc., which makes precision castings of high-temperature alloys, and which cost Howe somewhat more than \$6-million; Stamford Rolling Mills, which rolls copper, brass, and bronze, sells the sheeting and wire to the automobile and electrical industries; and now, Crucible Steel Casting Co., which makes carbon and low-alloy steel castings ranging up to 10,000 lb.

But even with lots of cash in the till, Weaver is chary of using it. He arranged to have the almost \$20-million price for Stamford spread over payments lasting until June, 1964. The cash for Crucible is also payable in installments over a period.

III. Still on the Prowl

Howe is looking forward to a cash flow of \$7-million to \$8-million a year for the next few years, has been plowing all its earnings back into the company, and has made use of its acquisitions' liquidity. This year, it has also taken some long-term money from the banks. It's still out to buy.

But with Howe stock selling last week around 20 (almost double what it was when Weaver took over the presidency), acquisition deals for stock look more likely than they did. Many Wall Street firms are interested in the company; and John Ellis, a partner in Eastman Dillon, Union Securities & Co., has been one of the energetic influences on the board of directors.

• **Candidates Galore**—Suggested deals flow in from a variety of sources. The Austenal offer came from Reynolds & Co. after Weaver, skiing at Franconia, N.H., hitched a ride back from the slopes from a Reynolds partner. Weaver first heard Stamford was for sale on a Detroit visit. "Every time I go away for a weekend," he claims, "I pay for it somehow or other."

Weaver considers virtually all suggestions, even those for bringing his pack-

age into a bigger company. Howe intends to stay in the metals field, wants to get into aluminum foil and the extrusion business. With rolling mills for copper, bronze, brass, and aluminum, Weaver would like to add stainless steel rolling mills.

• **Best Deals**—Right now he's especially interested in a potential tax shelter. Howe, with depletion allowances on its mining operations, is in an enviable tax spot anyway. And it has between \$3-million and \$4-million tax loss carry-forward still unused (it will probably use it all this year). It closed down a Manitoba gold mine, sold the assets at a loss for a \$2.5-million tax umbrella. Weaver figures another \$3-million to \$4-million shelter can be generated from present properties.

But by the time that is used up, he'd like to have in his pocket more tax loss or potential tax loss from other sources. "You can make more money out of a tax loss than you can batting your head out in a lot of businesses," says one Howe official.

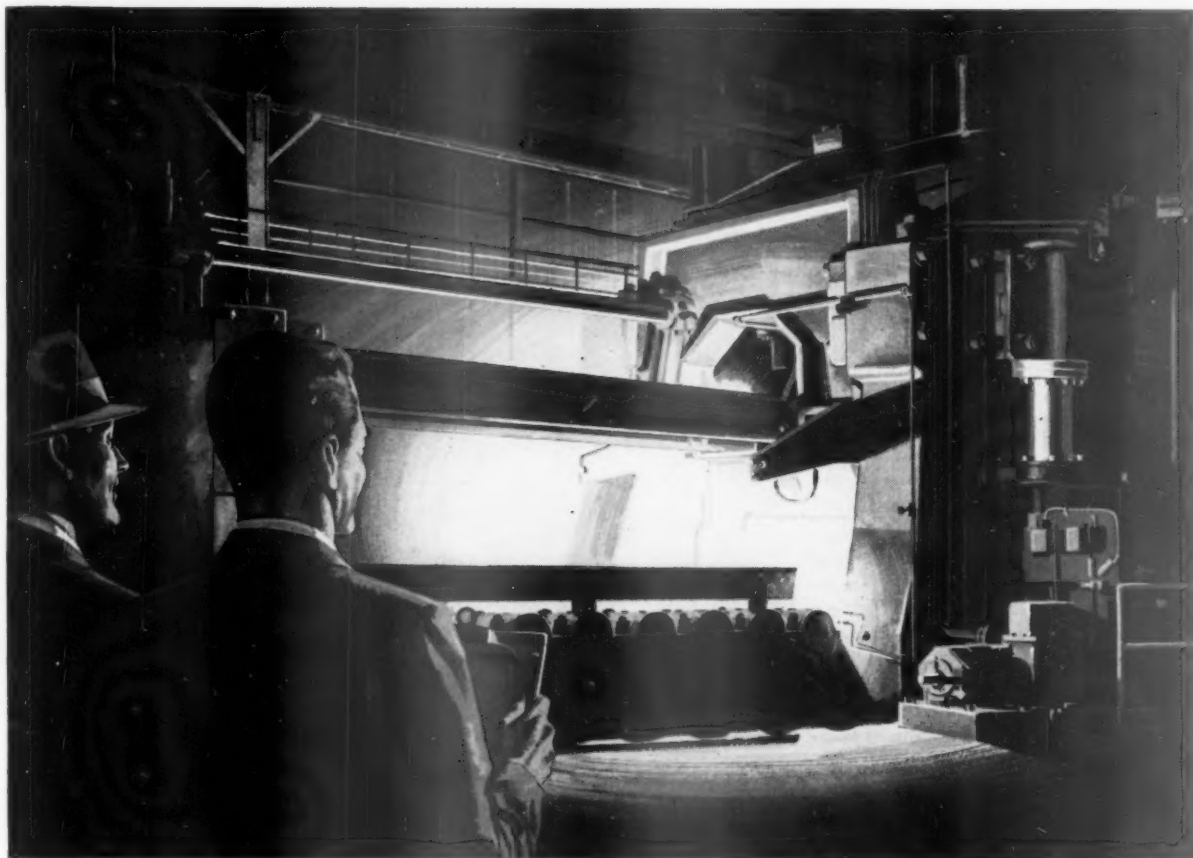
Weaver sticks to his initial preference for privately held companies. One reason, of course, is that a man who has built up a business and is getting to retirement age is more likely to want to sell. Weaver thinks, though, that he can get a better deal all around with a privately held concern. He thinks private companies, instead of beefing up their asset figures for the public, are likely to take as much depreciation as they can as quickly as they can, and their balance sheets tend to understate their assets.

• **Other Angles**—Outside acquisitions, of course, aren't the only strings to Howe's bow. Frank Samuel & Co., run as a subsidiary, made \$100,000 or so trading on commodity exchanges in the first quarter of this year. Weaver thinks he might step this up, expand its importing business, too.

Howe still gets about 15% of its income from mining. It could open its tungsten mine and break even at present prices, but "why mine an asset to break even?"

• **Reshuffling**—Though its eyes are mainly ahead, Howe still has to do some looking behind—some rearranging and ironing out to make best use of all its properties. Each acquisition is still run as a separate division or subsidiary, keeping pretty much its old management and methods. Austenal, Stamford, and Quaker State Metals, for instance, still buy their own scrap; Weaver is aiming to have them buy through Frank Samuel instead.

Management is spread a bit thin, too—about enough men to handle the present load, with none to spare to help any new subsidiary. Weaver, looking for "good young guys" to bring in, hasn't landed any yet. **END**



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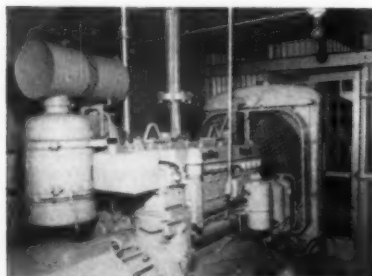
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BY CATERPILLAR

Quotas Shake Up Oil Industry

● Ceilings on imports have nudged some companies into mergers, others into swapping of oil supplies.

● The buildup of refinery runs to assure larger import quotas seems also to have aggravated an already serious oversupply of major products.

● Independent domestic producers who campaigned for the quota program are still waiting for its benefits.

Four months ago, when the government imposed quotas on oil imports, it seemed a reasonably simple administrative matter. Not everyone agreed with the need for regulations, but the earlier voluntary program had clearly been faltering. The idea was to set up mandatory quotas that would curb the increasing flow of oil imports and thus encourage independent domestic producers to accelerate their search for oil in the U.S. This policy bore a high priority rating from national defense planners.

It's still too early to tell if the government's intervention will succeed in this aim or, indeed, in significantly helping the small domestic producers. But it is already clear that a host of unforeseen and unintended consequences are piling up:

- The rules of the holddown on imports may have aggravated an oversupply of oil products that has knocked prices to their recession lows.
- The method of allotting import quotas has stirred a series of mergers and a brisk market in swapping import rights for domestic oil.
- Exemption of Canada from the regulations has stepped up the influx of oil from that country, to the dismay of U.S. marketers in some localities. Another, and far more important "Good Neighbor" producer of oil—Venezuela—is working for similar exemption.

• **Inventory Buildup**—Starting Mar. 10, the government put a ceiling of 1.4-million bbl. a day on imports, about 67% of it in crude oil. It gave each U.S. company an allotment of foreign crude based on its average refinery runs during 1958 and allotments of finished products, including residual fuel oils, based on its share of the market in 1957.

Even before the program was announced, it began to affect the industry's business policies. Companies guessed correctly that the quotas on crude oil would be based on refinery runs rather than historic patterns of importing oil. They stepped up their first-quarter

refinery operations, with an eye to subsequent import quotas.

This spurt in refinery runs came on top of already overoptimistic production for the spring and summer market. As a result, stocks of major products such as gasoline and heating oil are 18.4-million bbl. above last year at this time, and product prices have been depressed to last year's recession lows.

"The price picture is the worst that I can remember," says a vice-president of a major integrated company.

Even listed prices don't show the depths of the market slump, for discounts are the rule rather than the exception in many product markets.

• **Foreign Crude**—Domestic producers had pressed for stringent controls over imported crude oil with the hope of being better able to meet foreign competition. They're still waiting.

The total volume of foreign crude oil is too small a proportion of the nation's supply—only about 12%—to be blamed for today's inventory glut. In fact, the ceiling on imported crude is doubtless helping to keep the situation from being worse. Without quotas, most experts agree, the bottom would fall out of the crude market.

However, the ceiling hasn't helped domestic producers to develop their supplies of crude as they had hoped. In some cases, refiners who are cut off from foreign crude have merged with companies that have such quotas, instead of filling their needs from domestic producers. In other cases, companies have swapped their own domestic oil for the right to import. Neither type of deal helps the domestic producer.

Since Canada was exempted from quota restrictions (BW—May 9 '59, p. 28), imports from that country have climbed steadily. Just under 100,000 bbl. a day are now imported. That's a drop in the bucket in total U.S. production, but it has had a disproportionate effect in the two markets where it is concentrated: the Puget Sound area and the upper Midwest.

With the oversupply getting larger as refiners belatedly cut their runs, the Texas Railroad Commission has set a level of only nine allowable production days in the state this month—the same as in last July's recession low. Oklahoma is also trying to ease the situation by cutting July's production to 525,000 bbl. a day, down 20,000 bbl.

• **Merger Wave**—Many companies think the situation will clear up by yearend. Nonetheless, many are trying to solve their problems by merging.

A gimmick in the quota regulations gives a powerful impetus to merger. Since crude allotments are given to refiners on their 1958 record (and presumably next year on their 1959 record), the system not only encourages excessive refinery runs but also gives some companies quotas even though they have never imported a drop of foreign oil. And it rules out entirely some companies that don't operate refineries, or didn't in 1958.

Take the case of Superior Oil Co. and Texaco, Inc. Superior has no refinery, therefore no import quota for its Venezuelan crude. And it has a lot of domestic crude to sell. Texaco couldn't get a large enough foreign quota to feed its refineries fully, so it needs domestic oil. Besides, its refineries overseas can process Superior's Venezuelan oil.

Another merger is proposed for Eastern States Petroleum & Chemical Corp. and Signal Oil & Gas Co. In this case, Eastern States, a refiner, has an import quota while Signal has foreign production it can't import because it has little refining capacity.

• **Making Swaps**—When the quotas were given out, they went to inland refiners who never use imported crude as well as to coastal refiners. This imbalance has resulted in lively swapping of foreign oil for domestic oil. Regulations permit such trades, on a no money, oil-for-oil basis.

Thus, an inland refinery with a quota can trade it to a refinery that needs foreign oil. It gives up a barrel of, say, Kuwait crude worth \$2.60 and receives a barrel of U.S. crude worth \$3.40. But the other company also gains. Often, the foreign oil is from its own overseas wells; if the oil didn't come to the U.S. refinery, it would have to be sold in a weak world market. The deal keeps its tankers operating economically. Besides, the refinery may be designed for a certain type of foreign crude which its own quota wouldn't supply in sufficient quantity.

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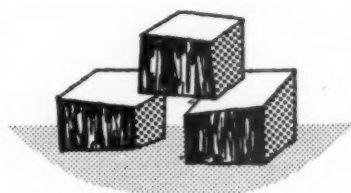


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of the import quotas were swapped.
The biggest trade was Gulf Oil Corp.,
which gained 2.6-million bbl. of foreign
crude outside its own quota. Socony
Mobil Co. acquired 2-million bbl. and
Atlantic Refining Co., 1.9-million bbl.

Before these and smaller traders got
through, there was a chain reaction of
unrecorded swaps to adjust transportation
and refining schedules and to make
sure the right kind of oil got to each
refinery. Now that allocations have
been made for the second half (BW-
Jun.13'59,p137), even more swapping is
under way.

• **Fuss Over Quotas**—Many special
problems have come up that the Oil
Imports Administration hasn't been able
to settle to the satisfaction of the com-
panies involved. Texas American As-
phalt Co., for example, has gone to
court seeking a permanent injunction
to keep OIA from cutting off its supply
of crude from Venezuela.

Texas American contends it was de-
prived of its rights without due process
of law. It got no quota at all, since its
plant wasn't in operation in the base
period for allotments, and it contends
that its plants cannot operate on the
domestic crude that's available.

Where it's a question of how much
the quota should be, companies must
direct any appeal to the quota review
board of OIA. Dozens of appeals have
been made, but few have been decided
in a company's favor—and then mostly
to correct outright errors in arithmetic.

• **Complaints**—Import quotas for res-
idual fuels are kicking up a storm of
argument, particularly since some of
the big companies happened not to
import residuals during the base year,
1957. Socony Mobil, for example, got
a quota of only 263 bbl. a day in
the latest allotment—and that only be-
cause it got credit for the oil dregs left
in barrels the company brought into
U.S. territory to clean.

A major complaint of big companies
is that smaller refiners are gaining at
their expense. East of the Rockies, quo-
tas for crude oil range from 11.4% of
average refinery runs for plants that use
10,000 bbl. a day down to 3.8% for
plants that use more than 300,000 bbl.
a day.

• **Bright Spots**—With all their unex-
pected side effects, the mandatory quo-
tas are doing some good, OIA chief
Matthew V. Carson says. Domestic
drilling activity has increased, showing
that producers are optimistic. This week,
the number of drilling rigs in opera-
tion was the highest in years. Without
the quotas, OIA says, many of these
would be drilling overseas instead.

Carson feels, too, that refineries are
beginning to realize that any slight gains
they might make in their quotas by
overproducing are more than offset by
losses in market prices. **END**

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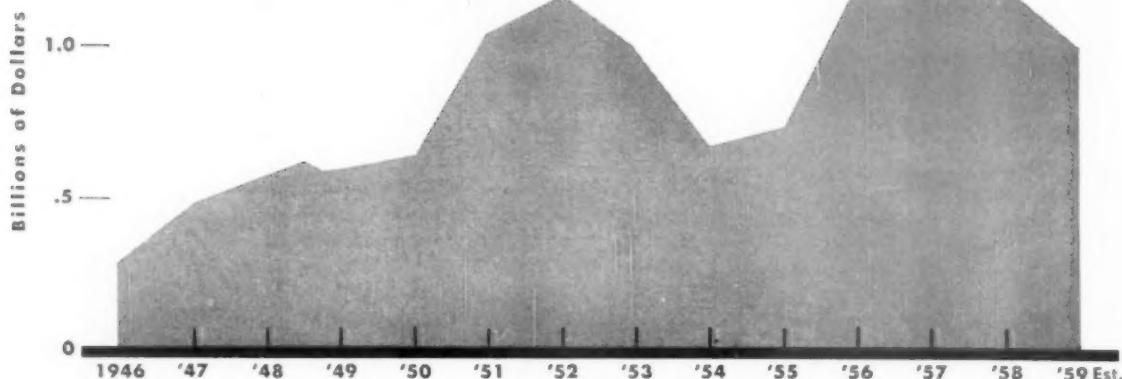
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Now, a Big New Upward Swing

Steel's spending this year will top earlier estimates—barring a long, severe strike—and 1960 total will climb still higher.

The steel industry will spend more money on plant this year than the \$1-billion it originally figured on (chart)—unless a long strike makes it impossible. And whatever the dollar total comes to in 1959, it will be still higher in 1960.

No one in the industry can pin down exactly, at this point, the amount by which steel's spending plans at midyear exceed those of Jan. 1, when the \$1-billion was budgeted. And how many dollars the steelmakers will actually be able to lay out this year is, of course, problematical—depending on the duration of a strike. A severe strike could cut actual spending even below the Jan. 1 estimate. On the other hand, one economist estimates it will be up as much as 16%.

But if the dollar total isn't now visible, the trend is—and it's plain. Steel spending is headed back toward boom levels—and faster than most people had anticipated. Six months ago, it wasn't hard to guess that steel's spending rate would increase. But few would have guessed it would climb so fast.

• **Growing Programs**—The major impact has come from three producers—Republic, Jones & Laughlin, and National. Between them in the last 90 days, they've announced slightly more than \$900-million of capital expendi-

tures to be made over the next three years.

Four others among the eight largest producers—U.S. Steel, Bethlehem, Inland, and Armco—have raised their programs by an aggregate of another \$157-million since the first of the year. And at least two of these will astonish the trade if they don't authorize still more spending before the year is done. The remaining member of the Big Eight—Youngstown Sheet & Tube—isn't saying anything. But it's spending a good deal more than it did last year, has authorized at least one new project this year.

Below the eight largest companies, there's also considerable activity, even though the dollar totals don't add up nearly so fast. In this group, a strike will have particular impact. Many of the smaller producers won't know how much they can spend—and some of them won't know whether they can spend anything at all—until they know the full cost of any strike.

• **The Reasons**—Nevertheless, one fact is clear. Steel is spending again—and it's spending more than you might have anticipated by matching up existing capacity with projected demand over the next two or three years.

That fact raises the question: Why?

The answer is evident from the nature of the projects steel is undertaking and the equipment it's buying. Mostly, steel is buying anything but new ingot capacity.

Primarily, what steel's buying is an amalgam of lower costs, improved quality, and expanded capacity for favorite

products. For example, several producers are installing continuous annealing lines, several more are adding continuous galvanizing capacity, and at least three are adding electrolytic tinplate capacity. There's considerable new oxygen capacity going in and a certain amount of new coke capacity. There's also considerable spending on coal. One producer, Republic, is dismantling a 32-year-old, 42-in. sheet mill to replace it with a 56-in. mill that will raise production from 85,000 tons to 145,000 tons per month. U.S. Steel has the largest of quite a few ore projects under way.

And all over the trade, steelmen say they're "doing a little of this and a little of that"—projects that aren't terribly large and don't sound dramatic, but which have to be done and which generate savings. As one treasurer puts it: "We're looking for things that ought to be done, which will cut costs and where we can pick up a little incremental finishing capacity. We've got plenty of money for such projects, and the amount we spend this year and next will depend on how fast we can get them into work."

• **Big Project**—There's one major new steelmaking program in the list—a two-furnace oxygen converter shop to be installed by Jones & Laughlin at Cleveland. J & L will dismantle eight old open-hearths, retiring 805,000 tons of capacity, and replace them with two oxygen-blown vessels that will turn out 1.2-million tons per year. To furnish the hot metal for them, J & L will build a 2,500-ton-per-day blast furnace, one of

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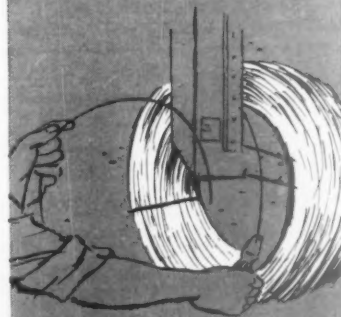
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the country's largest. National is adding some capacity and Republic hints that it might.

Elsewhere in quite a few open-hearth shops, there'll be real, if less spectacular, increases in ingot capacity. Many producers who haven't already done so are flocking to the basic-brick open-hearth roof (BW-Oct.25'58,p63) and oxygen roof lances. For a very modest investment, this combination yields a distinctly higher steel production capacity—both in tons-per-hour and in furnace availability. It's a handsome pickup from an investment viewpoint, but there's quite a little concern around the steel industry these days about whether it will be good enough.

The reason for that is pretty simple: 40 tons per hour is excellent open hearth performance. But J&L has been getting 106 tons per hour routinely from its oxygen converters at Aliquippa, and figures it can get about 160 tons per hour from the new ones it plans for Cleveland. McClouth and Kaiser presumably are getting comparably spectacular production rates from their oxygen converter shops.

Thus far, at least, the steelmakers aren't doing a great deal of spending to get into wholly new product lines. • **Spending Line-Up**—Among the top producers, the spending line-up looks like this:

U.S. Steel, which had \$730-million of uncompleted work Jan. 1, spent \$82-million in the first quarter and reported \$705-million uncompleted Mar. 31—an increase of \$57-million in its authorizations.

Bethlehem had \$114-million authorized but uncompleted Jan. 1, has added \$75-million. It expects to spend \$123-million in 1959.

Republic announced a \$375-million, three-year program in May.

Jones & Laughlin announced a \$234-million, three-year program. It expects 1959 spending to be about 15% above the Jan. 1 estimates.

National Steel announced a \$300-million, three-year program designed to raise ingot capacity 13% at Detroit, to increase and improve flat roller and coated steel capacity at Weirton, and to erect a wholly new sheet and tinplate finishing mill in the Chicago district.

Inland raised its 1959 spending budget from \$80-million to \$85-million, most of it to modernize and expand finishing capacity for several products.

Armco raised its 1959 spending budget from \$45-million to \$65-million since Jan. 1. Most of this will go for a new coating line at Middletown, stainless steel expansion at Butler, and new bar-joist capacity at Kansas City.

Among the smaller producers, the most noteworthy single project is a \$23-million hot sheet mill by Crucible, at Midland. **END**

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Steps Toward a New Trade Balance

The Joint Economic Committee of Congress has just held a significant, if little noticed, hearing on "international influences on the American economy." The witnesses focused their attention, as might be expected, on the problem posed for the U. S. by the deficit in our balance of international payments and the resulting loss of U. S. gold. The subject of the hearing and the quality of the witnesses provide heartening evidence that this difficult problem is beginning to get the serious attention it deserves.

In making his statement to the committee, Prof. Charles P. Kindleberger of the Massachusetts Institute of Technology rejected the notion that we might soon have to push a "panic button" or alter the basic principles of our foreign economic policies. Nonetheless, he warned that this country can no longer afford to ignore its payments problem. And he argued, as have other authorities in the field, that an appropriate solution can be found only if Western Europe, which now is in a strong surplus position, begins to carry a larger part of the burden of free world leadership.

In Kindleberger's view, the U. S. now is shouldering a disproportionate share of both aid to the underdeveloped countries and Western defense costs. "It is beginning to be time to reverse the movement of piling financial responsibility for the foreign policies of the free world largely upon the United States."

Unfortunately, the MIT professor stopped at this point and left the concrete application of his recommendation up in the air. In this respect, he was being scarcely more diffident than the Administration has been in proposing ways by which we might strike a new financial balance with our European allies and still not disrupt development aid programs, reverse our liberal trade policy, or weaken NATO.

To be sure, Treasury Secy. Anderson has taken one step in this direction. He has been actively pushing for establishment of the proposed International Development Assn. as a soft-loan affiliate of the World Bank. Although IDA would serve much the same function as our own Development Loan Fund, about 60% of its capital fund would be contributed by Western Europe and Canada, and only some 30% by the U. S.

The Administration deserves credit for the efforts it is making on behalf of IDA. But it may well be necessary for Washington to consider other ways of meeting our payments problem—for example, by making policy changes in such diverse areas as the operation of the Development Loan Fund and the financing of our huge military expenditures abroad.

Perhaps it's time for the Administration to consider putting DLF loans on the same basis as Export-

Import Bank loans. At present, the DLF operates with "untied" loans. In other words, a country like India can, and does, use DLF funds to buy equipment in Western Europe, assuming that it is cheaper there. As a result, our European allies earn dollars that they can add to their reserves. Would it not be reasonable under present conditions to have any development loans that are wholly financed by the U. S. "tied" to the purchase of American goods?

Then, there may be a case for shifting some of our military expenditures in Western Europe to other shoulders. Bonn, for example, now is covering some of the cost of keeping British divisions in West Germany—partly on the ground that German defense spending is less than half of Britain's in terms of gross national product. Perhaps it is time for Washington to make a similar arrangement with Bonn.

Policy shifts of this character obviously will need careful handling. But there can be no doubt about the need for their consideration.

A Good Veto

President Eisenhower's veto of the omnibus housing bill this week should be no surprise to the congressmen who had voted for it. In the form that it went to the White House, the bill openly invited the veto. It was, in fact, a direct challenge to the President's whole campaign to hold down federal spending and produce a balanced budget in the current fiscal year.

It was also a fine example of the way the pump-priming psychology of a recession carries over into the succeeding boom and feeds the forces of inflation. It is this lag in Congressional thinking that is the real reason for the veto.

The federal government has a role to play in housing, in good times and in bad. But certainly there is every reason to hold that role to a minimum at a time when the economy is swinging into a new boom. If we are not satisfied with the progress in slum clearance and urban renewal—and any city-dweller can point to reasons why we should not be—the answer to our discontent is not necessarily to pour in more federal money. A close look at the reasons why some of the money appropriated in the past has not been spent to better purpose might do a good deal more to eliminate the slums.

The Congressional majority has worked the housing issue for all the political advantage there may be in it. Now Congress should buckle down to the job of passing a program for the current year that is in line with what the President originally asked.

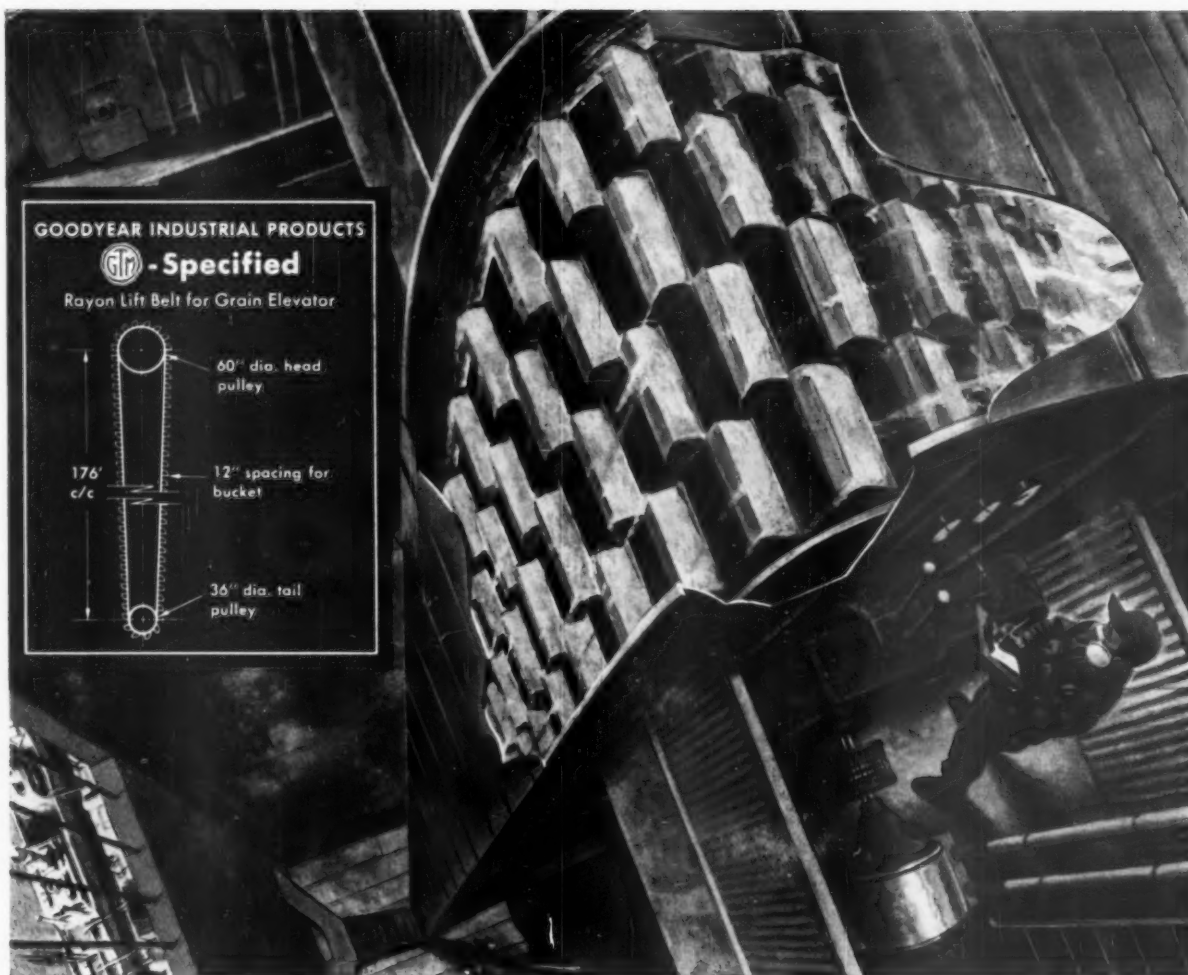


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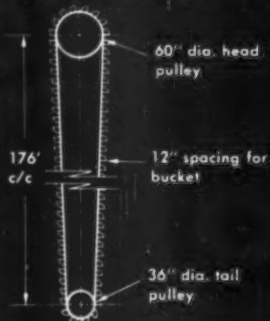


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